Workers Compensation Fund

Valuation Analysis as of May 30, 2003

JUNE 11, 2003

Confidential

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Scope of Engagement

- We have been retained by the Utah Insurance Department ("UTI") to prepare a valuation analysis of Workers Compensation Fund ("WCF" or the "Company") as of May 30, 2003 (the "Valuation Date").

- We have prepared the written report (the "Report") on the fair market value of the aggregate equity of WCF (including its subsidiaries) under the following four scenarios:

  - The value of WCF in its current state of operations (regardless of ownership), retaining its tax-exempt status and continuing to be the insurer of last resort for the state of Utah ("State") ("Status Quo Operations"). Whether the future form of ownership is as a quasi-state agency or a mutual insurance company, the valuations would be virtually identical. Any payments to the State that might be made out of WCF's surplus are not considered in our analysis;

  - Full conversion from a quasi-state government entity to a mutual insurance company where the Company losses its tax-exempt status and is no longer the insurer of last resort to the State ("Mutual");

  - Conversion of WCF to a stock corporation and issuance of WCF Stock ("Stock"); and

  - Sale of WCF and its subsidiaries to a third-party willing buyer in the market ("Sale").

- The Valuation Summary section of this Report discusses each of the valuation scenarios in detail.

Executive Summary

Limiting Factors and Other Assumptions

- This valuation does not constitute a fairness opinion, investment advice or recommendation as to whether the State, any other recipient of this report, or any third-party should engage in any particular transaction. Furthermore, no opinion, counsel or interpretation is intended in matters that require legal, accounting, tax or other appropriate professional advice. It is assumed that such opinions, counsel or interpretations have been or will be obtained from the appropriate professional sources.

- We do not make any assessment or recommendation in this report as to the nature or scope of the State's ownership of WCF, or the value of its particular ownership position either as a founder, shareholder, policyholder, or otherwise.

- In preparing the valuation, we have relied upon and assumed, without independent verification, that the financial forecasts and projections provided to us have been reasonably prepared, and that the various assumptions contained therein were reasonable including, without limitation, assumptions regarding the size of the market, and projected profit margins. To the extent that any of these assumptions prove to be invalid or unreasonable, our opinion of value could be materially affected. We did not independently verify the accuracy of the information supplied to us regarding WCF.

- WCF does not prepare financial statements reflecting generally accepted accounting principles ("FASB GAAP") promulgated by the Financial Accounting Standards Board ("FASB"). Instead, its financial statements are prepared according to generally accepted accounting principles ("GASB GAAP") promulgated by the Government Auditing Standards Board ("GASB"), reflecting WCF's status as a quasi-government agency. We have made various adjustments to WCF's GASB GAAP financial statements, based on certain assumptions, to derive estimates of what WCF's financial statements might look like if prepared on a FASB GAAP basis. In the event that WCF were to prepare FASB GAAP financial statements, and those financial statements were to differ materially from the estimates used in our valuation analysis, our conclusions could be materially affected.

- We have not conducted a market test for the sale of the Company.

Executive Summary

Limiting Factors and Other Assumptions *(continued)*

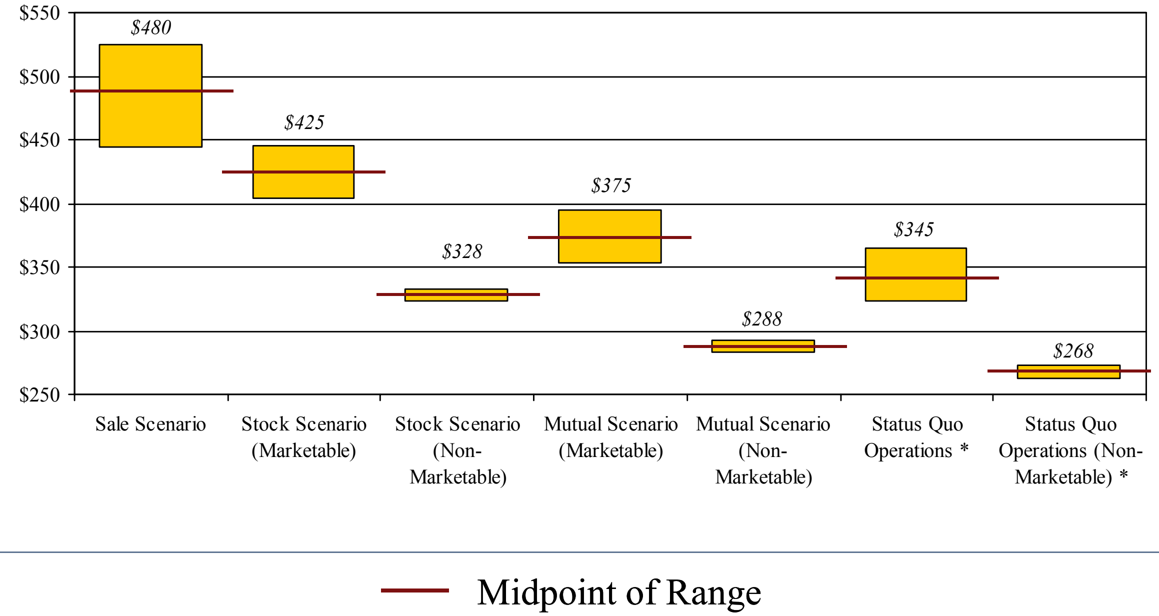
- The professional fee for this engagement is not contingent upon the opinion of value set forth in this report prepared by Houlihan Lokey.
- Our conclusions are based on business, general economic, market and other conditions that reasonably could be evaluated by Houlihan Lokey as of the valuation date. Subsequent events that could affect the conclusions set forth herein include adverse changes in market conditions and changes to the business, financial condition and results of operations of WCF. Houlihan Lokey is under no obligation to update, revise or reaffirm its conclusions set forth herein.
- This report is intended solely for the information of UTI, solely for the purpose stated, and may not be relied upon by any other party or for any other purpose without Houlihan Lokey's prior written consent. The conclusions set forth herein are based on methods and techniques that Houlihan Lokey considers appropriate under the circumstances, and represent the opinion of Houlihan Lokey based upon information furnished by the Company and its advisors and other publicly available sources. Houlihan Lokey has relied upon the Company's representations that the information provided by it, or on its behalf, is accurate and complete in all material requests. While all public information (including industry and statistical information) was obtained from sources we believe are reliable, Houlihan Lokey makes no representation as to the accuracy or completeness thereof, and we have relied upon such public information without further verification.
- Houlihan Lokey assumes that WCF has complied with all applicable federal, state, and local regulations and laws, other than the potential breaches of Idaho or California law as discussed earlier in this report. Except to the extent specifically disclosed in writing to Houlihan Lokey, we have assumed that WCF has no material contingent assets or liabilities, no unusual obligations or substantial commitments other than those incurred in the ordinary course of business, and no pending or threatened litigation that would have a material effect on the Company.

Executive Summary

Valuation Conclusions

- The mid-point of our valuation conclusions range from $268 million to $480 million, with the Status Quo Operations (Non-Marketable) Scenario yielding the lowest valuation indication and the Sale Scenario yielding the highest.

Concluded Equity Value Range



**Assumes WCF retains tax-exempt status and is the insurer of last resort in Utah. Valuation does not depend on State ownership or mutualization status.*

Executive Summary

Concluded Equity Value Range

(dollars in thousands)

Scenario	Indicated Marketable Minority Equity Range	Add: Marketable Minority Equity Range for Univantage, Advantage WorkComp and Pinnacle	Concluded Marketable Equity Value Range
Sale Scenario [1]	$ 440,000 - $ 510,000	$ 4,400 - $ 5,200	$ 444,000 - $ 515,000
Stock Scenario	$ 400,000 - $ 440,000	$ 3,800 - $ 4,500	$ 404,000 - $ 445,000
Mutual Scenario	$ 350,000 - $ 390,000	$ 3,800 - $ 4,500	$ 354,000 - $ 395,000
Status Quo Operations	$ 320,000 - $ 360,000	$ 3,800 - $ 4,500	$ 324,000 - $ 365,000

Scenario	Indicated Non-Marketable Equity Range [2]	Add: Non-Marketable Minority Equity Range for Univantage, Advantage WorkComp and Pinnacle	Concluded Non-Marketable Equity Value Range
Stock Scenario	$ 320,000 - $ 330,000	$ 3,000 - $ 3,400	$ 323,000 - $ 333,000
Mutual Scenario	$ 280,000 - $ 290,000	$ 3,000 - $ 3,400	$ 283,000 - $ 293,000
Status Quo Operations	$ 260,000 $ 270,000	$ 3,000 - $ 3,400	$ 263,000 - $ 273,000

(1) The sale scenario includes a control premium and hence the indicated range of equity is on a controlling interest basis. The value of Univantage, Advantage WorkComp and Pinnacle have also been adjusted to reflect the Sale Scenario (controlling interest basis.)

(2) Represents the Indicated Marketable Minority Equity Range adjusted for marketability discount ranging from 20% to 25%.

Current Situation

Current Situation

CURRENT SITUATION

- WCF was created by the Utah Legislature in 1917 to provide workers' compensation ("WC") insurance to the Utah market. Originally a State agency, in 1987 was converted to a quasi-state agency - an institution that serves the public purpose of being the insurer of last resort. The Company currently provides disability and medical insurance coverage within the state of Utah's mandatory WC system. WCF is a tax-exempt entity. Through its Advantage Workers Compensation Insurance Company ("Advantage") subsidiary, the Company also provides WC insurance outside the State.

- WCF is governed by a seven-member Board of Directors (the "Board"). The Governor of Utah appoints five of the seven public directors, and holds the Board accountable for the operational, financial, and managerial responsibilities of WCF. The remaining two members are appointed by statute. The Company is subject to regulation and examination by the UTI.

- All state agencies are required to insure with the Company, and as a result the State is WCF's largest policyholder.

- Policyholders of the WCF benefit from among the lowest WC premiums in the nation. WCF management believes that in light of the geographic concentration of its current policyholders, need to offer multi-state coverage to large Utah employers, reduced availability of reinsurance, and the risk of a significant catastrophe, it should diversify geographically to keep premiums low and maintain its financial stability.

Current Situation

Current Situation *(continued)*

- Outside of Utah, WCF's efforts have met resistance since many states have statutes regulating ownership and control of insurers by government entities. Local competitors, including other states' WC carriers have complained that WCF is unfairly competing. In August 2002, an Idaho administrative law judge ruled that WCF's subsidiary Advantage was in violation of Idaho law. The Idaho Legislature recently stayed the ruling until November 2003. California has expressed similar concerns. If these issues are not satisfied, WCF could be forced to withdraw from doing business in those states or be required to sell policies through "fronting" carriers. In either event, WCF would be negatively affected.

- The State is currently considering various alternatives to maintain and improve WCF's financial stability and operating performance, and enhance WCF's position as insurer of last resort. Earlier in the year, Senator Bramble sponsored a bill (that was not enacted) that would have removed WCF of state oversight. Among other provisions, the bill provided for:

  - The filing of restated articles of incorporation and bylaws designating WCF as a mutual insurance corporation;
  - Operating under the control of a seven-member Board elected by the policyholders;
  - Continuing to serve as the market of last resort within the State;
  - Retaining its tax-exempt status;
  - A payment to the State $50 million from WCF's surplus.

Company Review

Company Review

WCF Overview

- WCF was organized in 1917 by the State Legislature under the Workers' Compensation Act to provide workers compensation insurance for all employees in Utah. The initial (and only known) capital put into the Company was $40,000 appropriated by the State in 1917 and repaid by 1922. After an organizational study in 1987, WCF was incorporated as a quasi-state agency with a Board of Directors, of which five of the seven members are appointed by the Governor of Utah.

- In 1992, a new senior management team was selected to manage the Company. Among other initiatives, the new team shifted one of WCF's main focuses from controlling administrative costs to controlling the cost of claims. Since then, the number of claims decreased and WCF has become stronger financially over this period.

- Currently, WCF management believes that the negative trends in reduced availability in reinsurance and the risk of a catastrophic disaster may adversely affect the risk profile of the Company. The management team has indicated that it intends to stem this risk through increased financial discipline by improving underwriting results, implementing accident prevention initiatives, lowering claim costs and operating expenses, and improving investment income results. WCF management also intends to diversify the Company's operations through geographic expansion - continuing to serve Utah companies with operations out of state, while mitigating the negative effect of the residual market with increased premiums earned from the voluntary market. WCF management represents that it intends to pursue its strategic growth without jeopardizing its federal income tax exemption status.

- WCF plans to diversify the Company by continuing to expand into other states through the growth of Advantage, the growth of alternative market and risk management products, and the sale of unbundled services through Advantage WorkComp Services ("Advantage WorkComp").

Sources include, but not limited to, management interviews, A.M. Best report, management presentation, and the WCF website.

Company Review

WCF Overview - Subsidiaries

- WCF operates and owns four for-profit subsidiaries: Advantage, Pinnacle Risk Management Services, Inc. ("Pinnacle"), Univantage Insurance Company ("Univantage"), and Advantage WorkComp.
  - Advantage is a wholly-owned subsidiary domiciled in the State of Indiana licensed in 41 states and the District of Columbia. In July 2001, Advantage entered into an agreement with WorkCare Northwest ("WorkCare"), to insure business written by WorkCare in Idaho, Nevada, and Montana. Advantage wrote $30 million in premiums during 2002 and is the second largest carrier in Idaho.
    - WCF acquired Advantage (formerly Managed National Insurance Company) in 1998 in order to expand its capability to produce out-of-state business.
    - Advantage enables WCF to limit premiums written through fronting partners, which are often costly and less stable.
    - Advantage is currently targeting other Intermountain states, California and the Pacific Northwest for growth. Advantage has faced regulatory challenges in Idaho and California, both of which have statutes regulating ownership and control of insurers by government entities. However, Advantage prevailed in Nevada in 1999.

Company Review

WCF Overview - Subsidiaries *(continued)*

- The Company has a 95% ownership interest in Pinnacle, a company licensed in several states to provide third-party administration or claims to self-insured clients.
  - WCF acquired Pinnacle in 1998 to provider WC claims management and other risk control services. In 1999, Pinnacle acquired another third-party administrator which merged into Pinnacle in 2000.
  - Pinnacle is a market leader in Utah and Oregon, and has presence in Arizona, California, Idaho, Nevada, New Mexico, Oregon, and Pennsylvania. It has annual revenues of over $13 million, mostly from services provided to self-insured employers.
- Univantage is a wholly-owned subsidiary of WCF, licensed in Utah to write life and accident insurance. Univantage is currently inactive and has no policyholders.
- Advantage WorkComp, a wholly-owned subsidiary of WCF, provides bill review, utilization review, medical case management and other services to WC insurers and companies that self-insure WC.

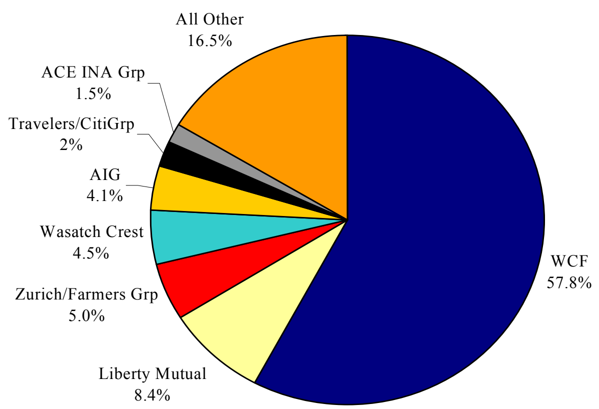
Company Review

WCF Market Share

- WCF is the dominant provider of WC insurance in Utah. In 2001, WCF captured 57.8% of the market with the balance written by approximately 30 independent agencies. Liberty Mutual, its closest competitor, has an 8.4% market share.

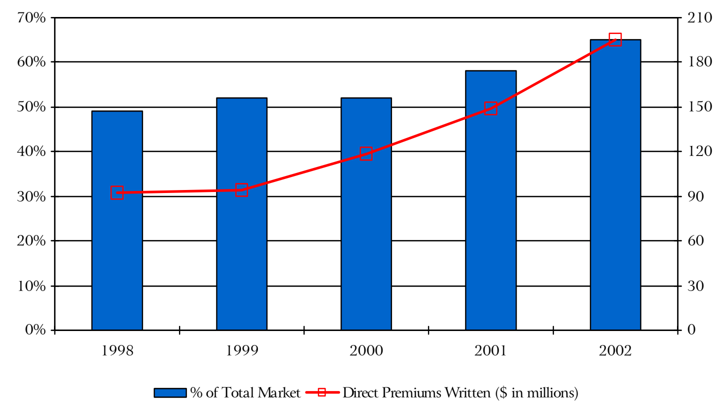
- As WCF's market share grows, so have its direct premiums written. Since 1998, WCF's direct premiums written have more than doubled to $195 million.

Utah Market Share –2001



Source: WCF

WCF Market Share vs Direct Premiums Written

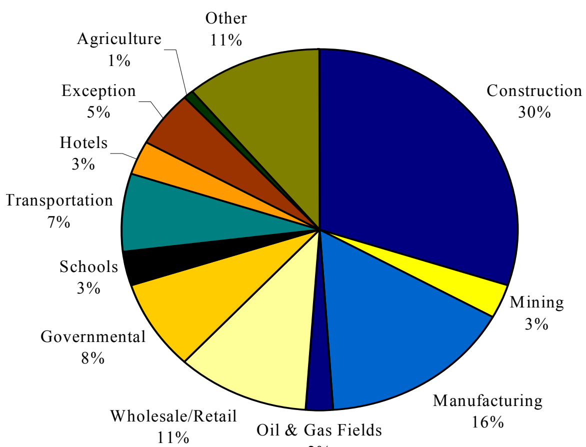


Company Review

Direct Premium Mix

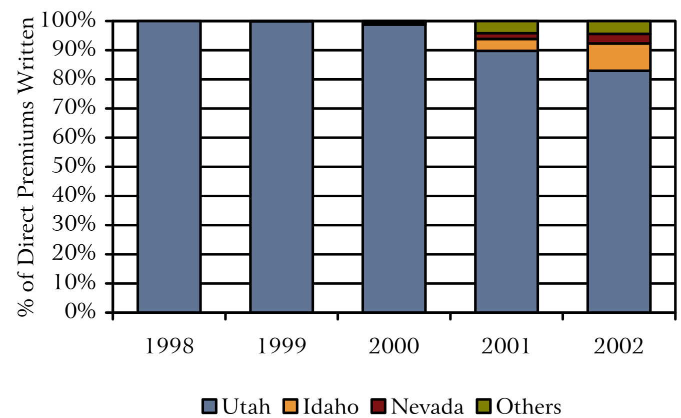
- The construction and manufacturing sectors have been the leading source of WC premiums in Utah, followed by retail and government.
- Year 2000 marked the beginning of WCF's efforts to diversify geographically. By 2002, approximately 17% of the Company's direct premiums were written outside of Utah.

Percentage of Utah Premium by Class Code



Source: WCF

% of Direct Premiums Written By Year



Industry Review

Industry Review

WORKERS' COMPENSATION INDUSTRY REVIEW

- WC is the third largest property-casualty insurance line behind personal auto and homeowners', with sales of $31.0 billion in 2001, or 8.0% of the total sales of the U.S. property-casualty insurance industry. It is also the largest commercial line of insurance, representing 17.8% of 2001 sales *(A.M. Best)*.

- The WC market is highly fragmented, with five dominant players nationally, accounting for 32.7% of industry sales in 2001. The California State Insurance Fund, which only writes California risks, is the market leader with 11.6% of the market. Liberty Mutual follows as the largest private writer write a 7.4% national market share *(A.M. Best)*.

- Between 1980 and 2001, industry WC sales increased at a 2.9% annual rate, while total property-casualty insurance sales increased by 6.0%. Premiums, however, declined during this period from 14.9% of sales in 1980 to 8.0% in 2001. WC rates in Utah were reduced by over 55 percent from 1995 to 1999 *(A.M. Best)*.

- The combined ratio exceeded 121% four times, and exceeded 100% 15 times over last 17 years. These poor underwriting results resulted from soaring medical costs and increased industry competition that drove down premiums during the period *(A.M. Best)*. The combined ratio for WCF fared even worst, ranging from 120.7 to 145.9 between 1998 and 2002 (*A.M. Best)*.

- Currently, industry pricing has rebounded and is extremely strong with premiums up 15%-20% year-to-year *(Industry Analyst Report)*. Rates in Utah remained flat in 2000, but they have begun to firm since 2001 *(A.M. Best)*. Analysts expect continued price firmness because of cumulative reserve deficiencies, low investment yields, and lack of reinsurance support. Industry estimates suggest that the WC industry is under-reserved by $20-$25 billion, or 30%. Investment yields from fixed income securities have dropped over the past two years, reducing the income opportunities for underwriters. Lastly, high prices and reduced availability of reinsurance support since the September 11th attacks have left primary underwriters at a greater risk in the event of a mega-catastrophe.

Industry Review

WORKERS' COMPENSATION INDUSTRY REVIEW *(CONTINUED)*

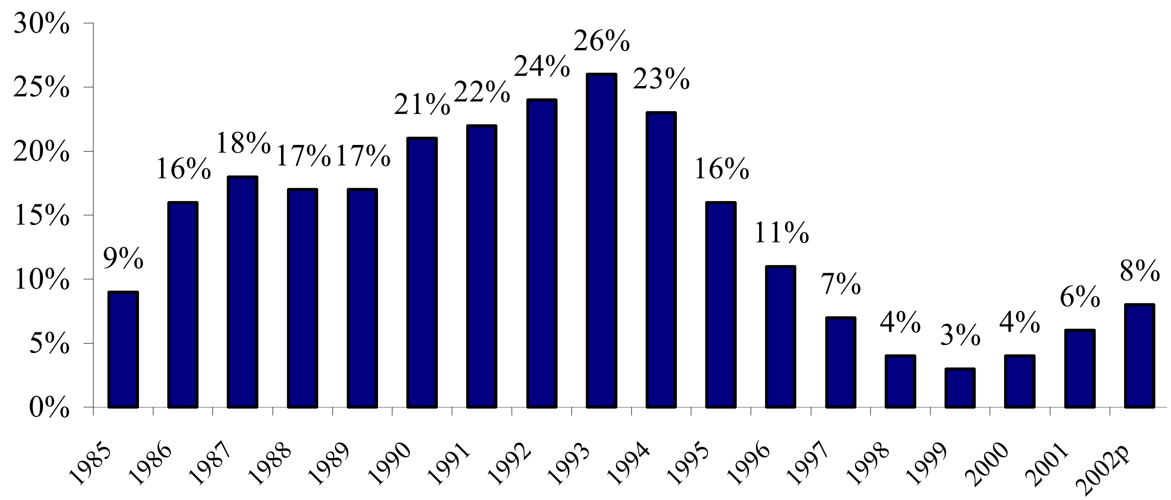
- In Utah, the Company has faced significant increases in claim severity, a sharp increase in medical costs, an increase in contested claims with the Utah Labor Commission, fewer carriers in the market, a lack of reinsurance carriers, low returns on investment, and an increase in the premium tax rate. As a result, WCF has exhibited combined ratios greater than 120 percent in the period between 1998 and 2002.

Industry Review

WORKERS' COMPENSATION INDUSTRY REVIEW – RESIDUAL MARKET

- The "residual market" is the market of last resort for workers compensation insurance. In Utah, those customers who would not ordinarily qualify for WC insurance due to the experience rating, industry, location, size or otherwise, can obtain coverage from WCF, the carrier of last resort in Utah.
- All in all, the WC industry remains a hard market, even with increasing premiums. The residual market, however, is growing very rapidly, as the voluntary market passes on unattractive business.

NCCI Workers Compensation Insurance Plan (WCIP) Premium as a Percentage of Direct Written Premium



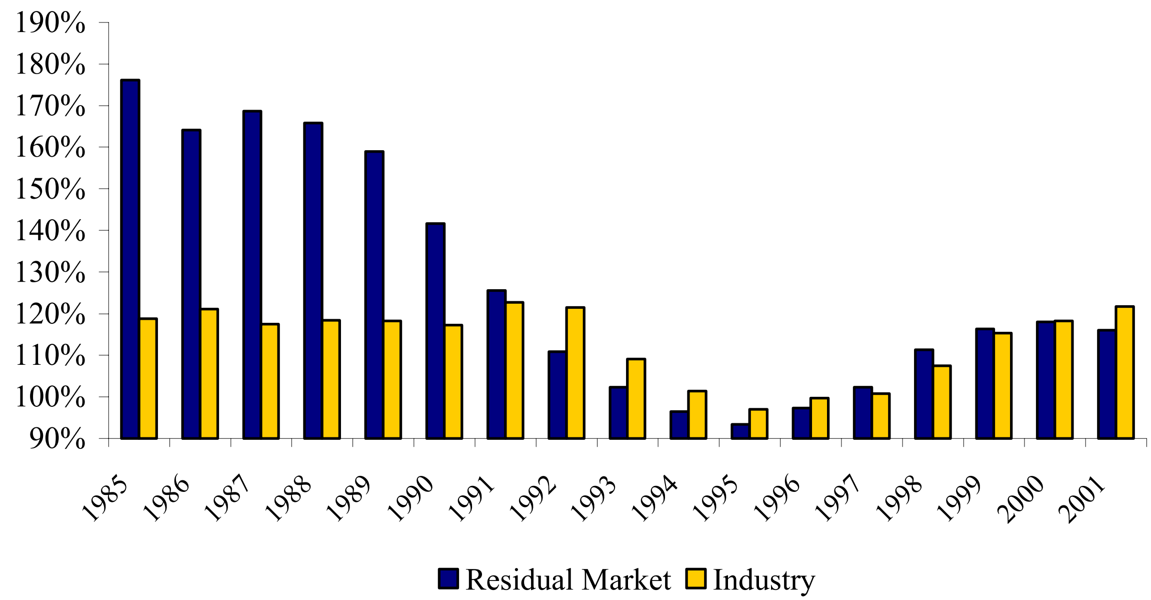
P = Preliminary
Source: National Council of Compensation Insurance

Industry Review

WORKERS' COMPENSATION INDUSTRY REVIEW – RESIDUAL MARKET *(CONTINUED)*

- Despite the struggling WC insurance market, the combined ratios for the residual market are holding steady, while industry combined ratios continue to increase. In 2001, combined ratios hit 121% for the industry, one of the worst years in recent history.

Residual Market Combined Ratio versus Industry WC Combined Ratio 1985-2001



7Source: National Council of Compensation Insurance, A.M. Best.

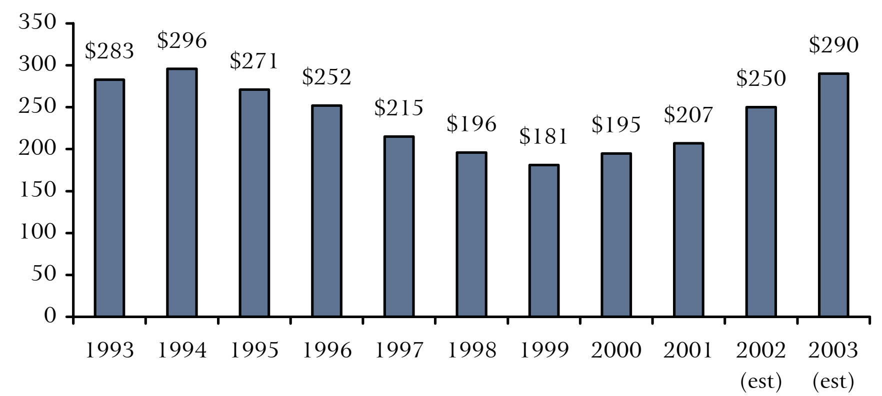
Industry Review

WORKERS' COMPENSATION INDUSTRY REVIEW - UTAH

- After significant rate reductions totaling over 55 percent from 1995 to 1999, the rates in year 2000 stabilized and began to firm the following year, as the NCCI recommended rate-making changes that provided for no loss cost changes *(A.M. Best).*
- Total Utah WC premiums also reflect these trends with decreasing total premiums from 1995 to 1999, and increases for the periods afterwards.

Total Utah WC Annual Premiums

(dollars in millions)



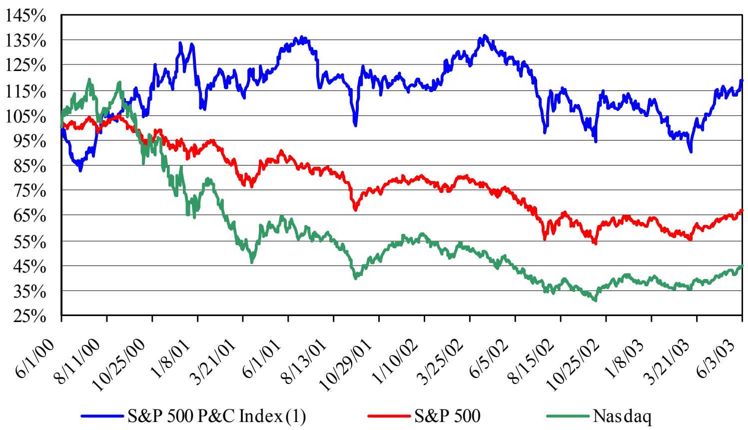
Source: A.M. Best

Industry Review

Stock Market Performance

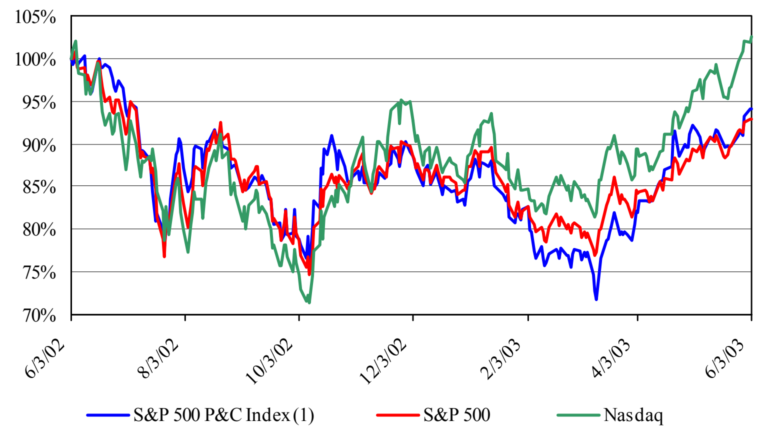
❖ Over the past three years, the S&P 500 property & casualty companies have significantly outperformed the S&P 500 and the Nasdaq indices. During the latest twelve months, the S&P 500 property & casualty companies have generally performed in line with the S&P 500.

3-Year Market Performance



(1) *The S&P 500 property & casualty companies is comprised of ACE Ltd., Allstate Corp., AMBAC Financial Group, Chubb Corp., Cincinnati Financial Corp., MBIA Inc., Progressive Corp., Safeco Corp., St. Paul Companies, Travelers Property Casualty Corp. and XL Capital Ltd.*

Latest Twelve-Month Market Performance



(1) *The S&P 500 property & casualty companies is comprised of ACE Ltd., Allstate Corp., AMBAC Financial Group, Chubb Corp., Cincinnati Financial Corp., MBIA Inc., Progressive Corp., Safeco Corp., St. Paul Companies, Travelers Property Casualty Corp. and XL Capital Ltd.*

Valuation Overview

Valuation Overview

General Principles

- The fundamental premise on which all investment decisions are based is that value to a potential investor is equal to the present worth of future benefits. This basic concept can be applied to the valuation of an entire company, as well as its underlying securities and assets. In each instance, it is a matter of identifying the future returns to the investor that the company can be reasonably expected to generate, and determining their present value in the context of the uncertainty associated with realizing these returns.

- There are two bases on which to determine the value of a company: going-concern and liquidation. In the case of a company that is expected to continue operating well into the future, the prospective investor will evaluate the risks and expected returns of the investment on a going-concern basis. The primary concern is not with the individual values of enterprise assets, but with their ability to generate the returns an investor expects in the future. Only secondarily is the investor interested in individual asset values. The asset approach may either assume that the company (i) is a going-concern or (ii) is not a going-concern. In the going-concern case, particularly applicable to financial institutions such as banks and insurance companies which are comprised of financial assets and liabilities priced “near market”, equity value is often times expressed as a multiple of reported book value. If a company is not a going-concern, liquidation is often assumed. In such a case, liquidation values for the assets, as well as all costs associated with liquidation, would prevail.

- When determining the value of a business enterprise, there are three general approaches available to the valuation professional: the market approach, the income approach, and the asset approach, sometimes referred to as the adjusted book value method. The choice of which approach to use in a particular situation will depend upon the specific facts and circumstances associated with the company, as well as the purpose for which the valuation analysis is being conducted.

Valuation Overview

MARKET APPROACH *(CONTINUED)*

- The market approach is a useful method of determining the fair market value of a company that is currently profitable and is expected to remain profitable in the future. It is particularly applicable in the event that the subject company is closely held because it can be used to determine what the company or the particular security would be worth in the public market.

- The approach is one of determining a level of earnings (net income) that is considered to be representative of the future performance of the company, and capitalizing (multiplying) this figure by an appropriate risk-adjusted rate (multiple). This approach provides an indication of value for the security that corresponds with the particular earnings figure being capitalized (for example, capitalizing net earnings available to common stockholders would yield an indication of value for the companies' aggregate equity stock).

- The market approach utilizes earnings that are considered "representative" of the company earnings capacity in the near term. For purposes of our analysis, we have utilized, primarily, latest twelve-month ("LTM") statutory earnings and earnings reported on a GASB basis with certain adjustments (for reserves and non-realized investment portfolio gains and losses) as representative earnings of the Company for the market approaches.

- The capitalization rate (multiple) is an expression of what investors believe to be a fair and reasonable rate of return for the particular security, given the inherent risks of ownership. It incorporates expectations of growth and rests on the implicit assumption that a certain level of earnings will be generated by the enterprise into perpetuity. The most common means of obtaining capitalization rates is through the market multiple method, whereby companies having their stock traded in the public market are selected for comparison purposes and used as a basis for selecting reasonable capitalization rates for the subject company. Capitalization rates obtained in this manner are generally expressed as ratios of the various earnings figures, and are referred to as "market multiples."

Valuation Overview

Market Approach *(Continued)*

- Another common method of obtaining such multiples, referred to as the comparable transaction method, involves analyzing companies that have recently been sold in the public marketplace in merger & acquisition transactions. For this method, the total price paid for the company is related to earnings figures which yield implied transaction multiples. The acquired company is then compared with the subject company on the basis of risk and expected return, and its transaction multiples are used as a basis for selecting appropriate multiples for the subject company.

- Market multiples are categorized as either "leveraged" or "debt-free" depending on whether or not the earnings figures being capitalized are net of interest expense. The most common leveraged multiple is the price/earnings ("P/E") ratio, which relates the price paid for the common stock of a company with that company's earnings per share. The multiple is considered to be "leveraged" because earnings per share is net of any interest expense, and capitalization of this figure effectively incorporates the impact of any debt the company has into the final value for the equity. In the market approach, we selected certain companies we deemed comparable from an investment risk/return standpoint and determined P/E and P/NBV multiples on a statutory and GAAP basis. Debt-free multiples are normally not used in valuing insurance companies.

- The degree of leverage of an insurance company is an important indicator of risk. Normally, debt is carried at the parent holding company level. This practice maximizes the equity capital of insurance subsidiaries, which is important to be able to generate new business and meet regulatory requirements. Therefore, leverage is generally not a risk factor for insurance subsidiaries but is a risk for stockholders of the parent company. WCF does not have a holding company structure.

Valuation Overview

Income Approach

- The discounted cash flow ("DCF") method is a frequently used form of the income approach to determine the fair market value of a company. The DCF method is also often used in the valuation of intangible assets. The method is one of estimating the present value of the projected future cash flows to be generated from the business and theoretically available (though not necessarily paid) to the capital providers of the company. In the DCF method, the counterpart to the market multiple described previously is the discount rate applied to the projected future cash flows to arrive at their present value.

- The discount rate is intended to reflect the risks of ownership and the associated risks of realizing the stream of projected future cash flows. It can also be interpreted as the rate of return that would be required by providers of capital to the company to compensate them for the time value of their money, as well as the risk inherent in the particular investment. Unlike the market multiple, however, the discount rate employed in the DCF method contains no implicit expectations of growth for the cash flows. Instead, the projected cash flows themselves reveal growth expectations, while allowing for a more flexibility in projecting such growth rates.

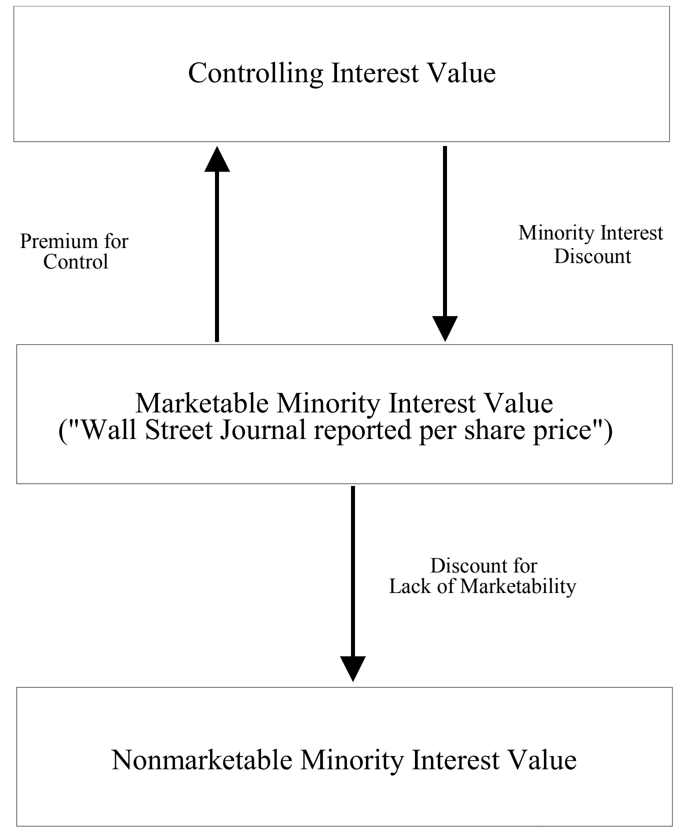
- When used in combination, the various forms of the market approach and the income approach can lead to a reasonable indication of value for a subject company. However, these approaches do not generally capture the value of assets and liabilities which are not required for the operation of the business, such as excess reserves.

Valuation Overview

Levels of Value

- The term "fair market value," is defined as the price at which an asset would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, and both parties are able, as well as willing, to trade and are well-informed about the asset and the market for that asset.

- Controlling interest, or enterprise valuation is the value of a majority ownership position in a company and can reflect the hypothetical price that a willing buyer might pay for the Company. It is often at a premium (the Control Premium) to the marketable minority interest value. The controlling interest value, however, does not necessarily represent the price that any particular strategic acquirer (such as a competitor) might pay. It does not, therefore, necessarily reflect a fair price for any particular proposed transaction.



Valuation Overview

Levels of Value *(continued)*

- Marketable minority interest value is a minority interest valuation where the shares are inherently liquid. Liquidity can be available through various means, including the public markets, provisions in a buy-sell or other stockholder agreement, or through "put" or redemption rights present in common stock ownership plans. The marketable minority interest value is the equivalent value for the company if it were publicly traded.
  - *Valuation Implications:* Valuation methodologies that utilize multiples derived from stock multiples typically derive value on a marketable minority basis, as the multiples are derived on a minority basis. As such, a "control premium" is typically applied to adjust a valuation on an enterprise basis.
- Non-marketable minority interest value is a minority value per share where the stock is inherently illiquid. The magnitude of the discount for lack of marketability depends on a number of factors, including, among other things, the level and amount of dividend payments and the prospects for obtaining liquidity in the future through a sale, public offering, or liquidation of the company.

Valuation Summary

Valuation Summary

Concluded Equity Value Range

(dollars in thousands)

Scenario	Indicated Marketable Minority Equity Range					Add: Marketable Minority Equity Range for Univantage, Advantage WorkComp and Pinnacle					Concluded Marketable Equity Value Range				
Sale Scenario [(1)]	$	440,000	-	$	510,000	$	4,400	-	$	5,200	$	444,000	-	$	515,000
Stock Scenario	$	400,000	-	$	440,000	$	3,800	-	$	4,500	$	404,000	-	$	445,000
Mutual Scenario	$	350,000	-	$	390,000	$	3,800	-	$	4,500	$	354,000	-	$	395,000
Status Quo Operations	$	320,000	-	$	360,000	$	3,800	-	$	4,500	$	324,000	-	$	365,000

Scenario	Indicated Non-Marketable Equity Range [(2)]					Add: Non-Marketable Minority Equity Range for Univantage, Advantage WorkComp and Pinnacle					Concluded Non-Marketable Equity Value Range				
Stock Scenario	$	320,000	-	$	330,000	$	3,000	-	$	3,400	$	323,000	-	$	333,000
Mutual Scenario	$	280,000	-	$	290,000	$	3,000	-	$	3,400	$	283,000	-	$	293,000
Status Quo Operations	$	260,000		$	270,000	$	3,000	-	$	3,400	$	263,000	-	$	273,000

(1) The sale scenario includes a control premium and hence the indicated range of equity is on a controlling interest basis. The value of Univantage, Advantage WorkComp and Pinnacle have also been adjusted to reflect the Sale Scenario (controlling interest basis.)

(2) Represents the Indicated Marketable Minority Equity Range adjusted for marketability discount ranging from 20% to 25%.

Valuation Summary

SCENARIO ASSUMPTIONS COMPARISON

	Status Quo Operations Scenario	Mutual Scenario	Stock Scenario
Disposition of Residual Market	WCF	Pool	Pool
Tax Status of WCF	Exempt	Taxable	Taxable
Premium Growth	Limited	Moderate	Aggressive
Rate Increases	Nominal	Nominal	Approx 5% higher
Discount Rate (Midpoint)	10.5%	11.5%	14.5%
Dividends	1.5% of Utah's GDPE (1)	1.5% of Utah's GDPE (1)	none
Average Combined Ratio	105.7%	100.1%	97.8%
Terminal Year Combined Ratio	105.6%	99.9%	95.1%
Terminal Year Premiums Written / Surplus	69.3%	71.8%	109.8%

(1) GDPE is defined as gross direct premium earned.

Valuation Summary

Status Quo Operations Scenario
Mutual Scenario
Stock Scenario
Sale Scenario
Valuation of Subsidiaries

Status Quo Operations Scenario

Valuation Assumptions

- WCF, under the Status Quo Scenario, remains the insurer of last resort for the State and maintains its tax-exempt status. WCF continues to diversify into other states, and it is assumed that the Company does not lose its license in other states.
- "Status Quo Operations" represents no change in the underlying operations of the Company, and does not consider ownership (mutual or otherwise).
- In the event that the ownership issue is not resolved, the Company could lose its ability to do business in certain other states, resulting in a decrease in value.
- We valued WCF under this scenario using the market and discounted cash flow approaches. In the market approach, we evaluated publicly traded insurance companies to derive reasonable measures to value the Company. WCF is an established company that underwrites property and casualty policies, similar to most of the publicly-traded companies in our peer group.
- We also performed a discounted cash flow analysis using five-year projections provided by management that incorporate the following summary operating and financial assumptions:
  - Operating:
    - Limitations on premium growth;
    - WCF maintains its tax-exempt status; and
    - WCF retains the residual business.

Status Quo Operations Scenario

VALUATION ASSUMPTIONS *(CONTINUED)*

- Financial:
  - Slight improvements in the combined ratio from 107.1% to 105.6%;
  - Net premiums earned grow at a 4-year compounded annual growth rate (CAGR) of 4%; and
  - Steady improvement in the leverage position.
- A minority discount was applied to the valuation indication from the discounted cash flow method.

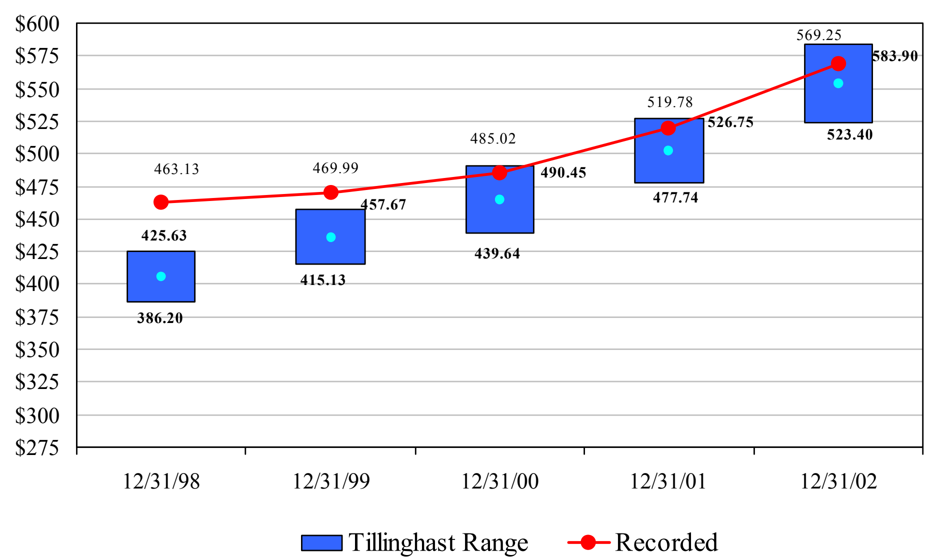
- Adjustments were made to historical reserve levels to reflect a normalized level of reserves. The adjustment factor was determined by WCF's peers.
- We assumed that the company continues to diversify out-of-state. As a result, we not did adjust for any loss of out-of-state business. In the event that the ownership issue surrounding WCF is not resolved, the Company could risk losing a significant portion of its out-of-state business.
- Pinnacle, Univantage and Advantage WorkComp were valued separately.

Status Quo Operations Scenario

Reserve Comparison

❖ Reserve levels have decreased relative to the Tillinghast (WCF's independent actuary) range over the last five years, however, WCF has historically set reserves close or near the top of the high end of Tillinghast's recommended range.

Recorded Gross Reserves
Relative to Actuarial Range



Status Quo Operations Scenario

VALUATION SUMMARY – STATUS QUO

(dollars in thousands)

	Range of WCF Equity Value				
Market Multiple Approach	$	350,000	-	$	380,000
Discounted Cash Flow Approach	$	290,000	--	$	330,000
Concluded Range of WCF Equity Value	**$**	**320,000**	**-**	**$**	**360,000**
Implied Statutory Book Value Multiple (1)		*1.27x*	-		*1.43x*
Implied Statutory Book Value Multiple (2)		*1.46x*	-		*1.64x*
Implied GAAP Book Value Multiple (3)		*0.97x*	-		*1.09x*
Implied GAAP Book Value Multiple (4)		*1.06x*	-		*1.20x*

(1) Derived using representative statutory book value as of FYE 2002.
(2) Derived using actual statutory book value as of FYE 2002.
(3) Derived using representative GAAP book value (based on GASB accounting principles) as of FYE 2002.
(4) Derived using actual GAAP book value (based on GASB accounting principles) as of FYE 2002.

Status Quo Operations Scenario

MARKET APPROACH – SUMMARY OF VALUATION INDICATIONS

(dollars in thousands)

Statutory Book Value	Equity Value				
LTM					
Adjusted Book Value	$	345,600	-	$	371,200
Adjusted Earnings	$	352,000	-	$	374,000
FYE 2002					
Adjusted Book Value	$	338,850	-	$	363,950
Adjusted Earnings	$	272,000	-	$	289,000
NPW / Surplus Approach					
FYE 2002					
Adjusted Book Value	$	332,247	-	$	348,496
GAAP (Company Adjusted)					
FYE 2002					
Adjusted Book Value	$	412,500	-	$	445,500
Statutory to GAAP Book Value					
LTM					
Adjusted Book Value	$	374,116	-	$	404,046
FYE 2002					
Adjusted Book Value	$	366,809	-	$	396,154
GAAP (GASB)					
FYE 2002					
Adjusted Book Value	$	413,750	-	$	446,850
Mean	$	356,430	-	$	382,133
Median	$	352,000	-	$	374,000
Concluded Market Multiple Approach	**$**	**350,000**	**-**	**$**	**380,000**

Status Quo Operations Scenario

Market Approach – Summary of Valuation Indications Based on GAAP Results

(dollars in thousands)

GAAP (Company Adjusted)	Adjusted Level	Multiple Selection		Equity Value	
FYE 2002					
Adjusted Book Value	$ 330,000	1.25 x -	1.35 x	$ 412,500 -	$ 445,500

Statutory to GAAP Book Value	Statutory Book Value	Estimated Statutory to GAAP Factor	Resulting GAAP Book	Multiple Selection		Equity Value	
LTM							
Adjusted Book Value	$ 256,000	85.5%	$ 299,293	1.25 x -	1.35 x	$ 374,116 -	$ 404,046
FYE 2002							
Adjusted Book Value	$ 251,000	85.5%	$ 293,448	1.25 x -	1.35 x	$ 366,809 -	$ 396,154

GAAP (GASB)	Adjusted Level	Multiple Selection		Equity Value	
FYE 2002					
Adjusted Book Value	$ 331,000	1.25 x -	1.35 x	$ 413,750 -	$ 446,850

Status Quo Operations Scenario

Market Approach – Summary of Valuation Indications Based on Statutory Results

(dollars in thousands)

Statutory	Adjusted Level	Multiple Selection			Equity Value		
LTM							
Adjusted Book Value	$ 256,000	1.35 x	-	1.45 x	$ 345,600	-	$ 371,200
Adjusted Earnings	$ 22,000	16.00 x	-	17.00 x	$ 352,000	-	$ 374,000
FYE 2002							
Adjusted Book Value	$ 251,000	1.35 x	-	1.45 x	$ 338,850	-	$ 363,950
Adjusted Earnings	$ 17,000	16.00 x	-	17.00 x	$ 272,000	-	$ 289,000

Status Quo Operations Scenario

MARKET APPROACH - VALUATION INDICATION FROM NET PREMIUMS WRITTEN/SURPLUS APPROACH

(dollars in thousands)

NPW / Surplus Approach

Statutory	Implied Required Statutory Surplus	Multiple Selection			"Excess" Statutory Surplus [1]	Equity Value		
FYE 2002								
Adjusted Book Value	$ 162,494	1.50 x	-	1.60 x	$ 88,506	$ 332,247	-	$ 348,496

(1) Theoretical value only. The "Excess" Statutory Surplus amount may not necessarily represent an amount that is legally available for distribution to policyholders.

Status Quo Operations Scenario

Market Approach - Estimated Statutory to GAAP Factor

(dollars in thousands)

WCF	12/31/02	12/31/01	12/31/00	12/31/99	12/31/98
GASB GAAP Book Value [1]	$ 300.1	$ 298.4	$ 284.8	$ 256.3	$ 258.7
Statutory Surplus	$ 219.8	$ 245.3	$ 256.7	$ 256.3	$ 246.2
% Statutory to Gaap	73.3%	82.2%	90.2%	100.0%	95.2%

Average of All Years [2]	
GASB GAAP Book Value	$ 1,142
Statutory Surplus	$ 968
Implied Factor [3]	84.8%
5 Year Average	
Implied Factor [3]	88.2%

Zenith National	12/31/02	12/31/01	12/31/00	12/31/99	12/31/98
GAAP Book Value	$ 317.0	$ 302.6	$ 309.8	$ 331.4	$ 321.2
Statutory Surplus	$ 309.8	$ 253.6	$ 262.3	$ 262.3	$ 350.0
% Statutory to Gaap	97.7%	83.8%	84.7%	79.2%	109.0%

Average of All Years [2]	
GASB GAAP Book Value	$ 1,261
Statutory Surplus	$ 1,088
Implied Factor [3]	86.3%
5 Year Average	
Implied Factor [3]	90.9%

Concluded Factor [4]	**85.5%**

(1) Adjusted for book value amounts of Pinnacle and Advantage WorkComp Services.
(2) Excludes years at 100% or above.
(3) Resulting calculations represents the implied statutory to GAAP conversion factor.
(4) Represents the average of the WCF and the Zenith National Average of All Years Factor.

Status Quo Operations Scenario

Discounted Cash Flow Approach - Summary of Assumptions

(dollars in thousands)

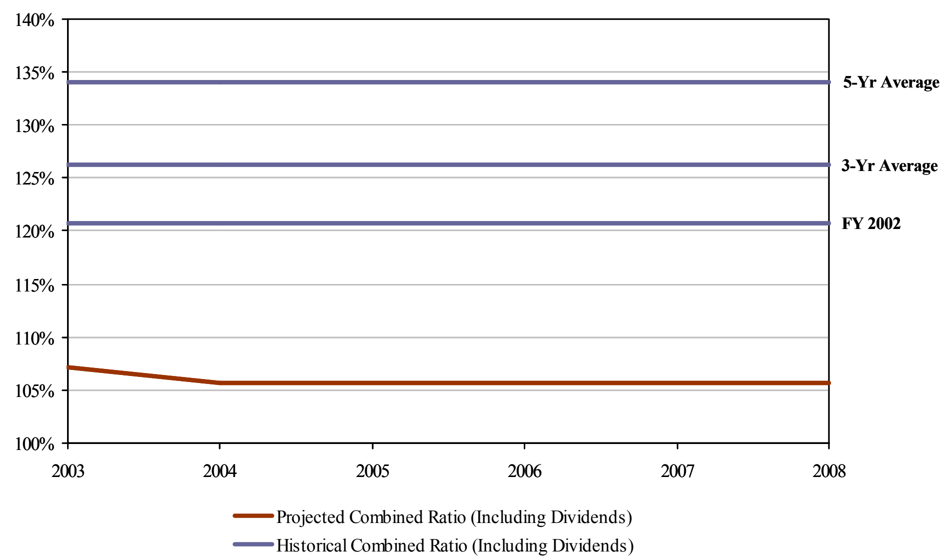
	2003	2004	2005	2006	2007	2008
Gross Earned Premiums	$ 215,750	$ 235,065	$ 245,078	$ 255,477	$ 263,011	$ 271,617
% Growth	*NA*	*9.0%*	*4.3%*	*4.2%*	*2.9%*	*3.3%*
Net Earned Premiums	$ 212,403	$ 231,398	$ 241,254	$ 251,488	$ 258,905	$ 267,375
% Growth	*NA*	*8.9%*	*4.3%*	*4.2%*	*2.9%*	*3.3%*
NPW/GPW	98.4%	98.4%	98.4%	98.4%	98.4%	98.4%
Combined Ratio (Including Dividends)	107.1%	105.7%	105.7%	105.7%	105.7%	105.6%
NPE Premium to Surplus	0.87 x	0.85 x	0.81 x	0.77 x	0.73 x	0.69 x

Status Quo Operations Scenario

COMBINED RATIOS

❖ Under the Status Quo Operations Scenario, the combined ratio is projected to remain flat over the next five years.

Combined Ratios



Status Quo Operations Scenario

Discounted Cash Flow Approach - Sensitivity Analysis

(dollars in thousands)

Equity Value Sensitivity Analysis

Discount Rate	Growth Rate 1.5%	2.5%	3.5%	4.5%	5.5%
8.5%	$354,768	$367,276	$384,787	$411,053	$454,831
9.5%	$341,680	$350,661	$362,635	$379,400	$404,546
10.5%	$331,449	$338,139	$346,740	$358,208	$374,264
11.5%	$323,216	$328,343	$334,753	$342,994	$353,982
12.5%	$316,435	$320,456	$325,371	$331,515	$339,413

Equity Value Range, on a Controlling Interest Basis (rounded)	**$ 328,000**	**--**	**$ 379,000**
Less: Lack of Control Discount @ 13.0% (1)	(42,783)	--	(49,435)
Concluded Equity Value Range, on a Minority Interest Basis (rounded)	**$ 290,000**	**--**	**$ 330,000**

(1) Equivalent to a control premium of 15.0%.

Status Quo Operations Scenario

Discounted Cash Flow Approach - Projected Cash Flows

(dollars in thousands)

	Stub 2003	2004	2005	2006	2007	2008
		Projected Fiscal Year Ended December 31,				
Beginning Reserve for Loss and LAE		-	121,985	204,342	275,812	341,449
Ending Reserve for Loss and LAE		121,985	204,342	275,812	341,449	405,832
Average Reserve for Loss and LAE		$ 60,993	$ 163,164	$ 240,077	$ 308,630	$ 373,640
Assuming Average Yield on Bonds @		3.70%	4.60%	5.00%	5.20%	5.20%
Investment Income on Average Reserves		$ 2,257	$ 7,506	$ 12,004	$ 16,049	$ 19,429
Net Earned Premium		$ 231,398	$ 241,254	$ 251,488	$ 258,905	$ 267,375
Less: Losses and LAE Expenses		(179,390)	(187,065)	(194,982)	(200,769)	(207,284)
Less: Underwriting Expenses		(62,210)	(64,818)	(67,559)	(69,522)	(71,781)
Underwriting Income (Loss)		$ (10,203)	$ (10,629)	$ (11,052)	$ (11,386)	$ (11,690)
Investment Income and Underwriting Cash Flow		$ (7,946)	$ (3,124)	$ 952	$ 4,663	$ 7,740
Less: Income Tax @ 0.0%		-	-	-	-	-
Investment Income and Underwriting Cash Flow		$ (7,946)	$ (3,124)	$ 952	$ 4,663	$ 7,740
Discount Period	0.25	0.75	1.75	2.75	3.75	4.75
Discount Factor @ 10.5%	0.98	0.93	0.84	0.76	0.69	0.62
PV of Investment Income and Underwriting Cash Flow	**$ -**	**$ (7,373)**	**$ (2,623)**	**$ 723**	**$ 3,207**	**$ 4,817**

Valuation Summary	
PV of 2008 After-Tax Underwriting Cash Flow	$ 7,740
Capitalization Rate (r - g)	7.0%
Terminal Value	$110,566
Discount Period	4.75
PV of Terminal Value	$68,810
Sum of PV of Underwriting Cash Flow	$ (1,249)
Surplus at December 31, 2003 (Statutory)	$244,831
GAAP to Statutory Conversion	85.5%
Surplus at December 31, 2003 (GAAP)	$286,236
Discount Period	0.25
Discount Factor @ 10.5%	0.98
PV of Surplus	$279,179
Equity Value (Underwriting Cash Flow + Terminal Value + Surplus)	**$346,740**

Note: Projections and average yield on bond assumptions provided by management.

Status Quo Operations Scenario

Market Multiples: GAAP Basis

	Price / Earnings FYE	Price / Earnings LTM
American Finl Group Inc	12.3x	14.2x
Argonaut Group Inc	(3.1x)	(4.4x)
Hartford Finl Svcs Grp Inc	11.9x	(17.4x)
PMA Capital Corp	(6.1x)	(14.5x)
Zenith National Insurance Corp	(1,845.0x)	52.8x
EMC Insurance Group Inc	13.4x	11.5x
Harleysville Group Inc	15.9x	24.9x
Low	11.9x	11.5x
High	15.9x	24.9x
Median	12.9x	14.2x
Mean	13.4x	16.8x

	Price / Book Value FYE	Price / Book Value LTM
American Finl Group Inc	0.48x	0.48x
Argonaut Group Inc	0.82x	0.69x
Hartford Finl Svcs Grp Inc	1.11x	1.26x
PMA Capital Corp	0.50x	0.49x
Zenith National Insurance Corp	1.60x	1.56x
EMC Insurance Group Inc	1.37x	1.32x
Harleysville Group Inc	1.17x	1.18x
Low	0.48x	0.48x
High	1.60x	1.56x
Median	1.11x	1.18x
Mean	1.01x	1.00x

	Adjusted Price / Earnings (1) FYE	Adjusted Price / Earnings (1) LTM
American Finl Group Inc	7.50x	7.40x
Argonaut Group Inc	(2.36x)	(1.98x)
Hartford Finl Svcs Grp Inc	8.06x	(74.05x)
PMA Capital Corp	(9.10x)	(41.81x)
Zenith National Insurance Corp	151.51x	43.82x
EMC Insurance Group Inc	11.21x	8.98x
Harleysville Group Inc	11.40x	15.04x
Low	7.5x	7.4x
High	11.4x	43.8x
Median	9.6x	12.0x
Mean	9.5x	18.8x

Footnotes:
(1) Excludes net realized capital gain or losses.
Excluded from range

Status Quo Operations Scenario

Market Multiples: Statutory Basis

	Price / Earnings	
	FYE	LTM
American Finl Group Inc	16.7x	16.7x
Argonaut Group Inc	(61.0x)	(61.0x)
Hartford Finl Svcs Grp Inc	2.6x	2.6x
PMA Capital Corp	(9.4x)	(9.4x)
Zenith National Insurance Corp	26.5x	26.5x
EMC Insurance Group Inc	15.7x	15.7x
Harleysville Group Inc	17.4x	17.4x
Low	2.6x	2.6x
High	26.5x	26.5x
Median	16.7x	16.7x
Mean	15.8x	15.8x

	Price / Book Value	
	FYE	LTM
American Finl Group Inc	0.70x	0.70x
Argonaut Group Inc	1.04x	1.04x
Hartford Finl Svcs Grp Inc	1.46x	1.46x
PMA Capital Corp	0.50x	0.50x
Zenith National Insurance Corp	1.64x	1.64x
EMC Insurance Group Inc	1.54x	1.54x
Harleysville Group Inc	1.45x	1.45x
Low	0.50x	0.50x
High	1.64x	1.64x
Median	1.45x	1.45x
Mean	1.19x	1.19x

	Adjusted Price / Earnings (1)	
	FYE	LTM
American Finl Group Inc	12.2x	12.2x
Argonaut Group Inc	(8.5x)	(8.5x)
Hartford Finl Svcs Grp Inc	20.0x	20.0x
PMA Capital Corp	(14.4x)	(14.4x)
Zenith National Insurance Corp	22.4x	22.4x
EMC Insurance Group Inc	10.2x	10.2x
Harleysville Group Inc	8.3x	8.3x
Low	8.3x	8.3x
High	22.4x	22.4x
Median	12.2x	12.2x
Mean	14.6x	14.6x

Footnotes:

Note: All LTM and FYE multiples are equal because LTM statutory figures are not available.

(1) Excludes net realized capital gain or losses.

Excluded from range

Status Quo Operations Scenario

GAAP Ratio Analysis – December 31, 2002

(dollars in thousands)

	American Finl Group Inc	Argonaut Group Inc	Hartford Finl Svcs Grp Inc	PMA Capital Corp	Zenith National Insurance Corp	EMC Insurance Group Inc	Harleysville Group Inc	Mean	Median	Workers Compensation Fund (Statutory)
Size										
Cash & Investments % of Total Assets	65.5%	53.5%	30.2%	45.6%	69.1%	90.1%	74.0%	61.1%	65.5%	96.3%
Total Assets	$ 19,504.8	$ 2,208.9	$ 182,043.0	$ 4,105.8	$ 1,615.1	$ 674.9	$ 2,311.5	$ 30,352.0	$ 2,311.5	$ 829.2
Reserves % of Total Liabilities	30.1%	68.1%	10.0%	73.6%	63.6%	64.1%	55.3%	52.1%	63.6%	90.1%
Book Equity	$ 3,241.0	$ 327.7	$ 10,734.0	$ 581.4	$ 317.0	$ 157.8	$ 632.1	$ 2,284.4	$ 581.4	$ 235.0
NPE	$ 2,403.0	$ 378.4	$ 8,114.0	$ 991.0	$ 557.1	$ 297.0	$ 764.6	$ 1,929.3	$ 764.6	$ 185.3
Profitability										
Loss Ratio	75.5%	88.4%	NA	79.6%	79.4%	69.7%	68.2%	76.8%	77.5%	93.0%
Expense Ratio	25.3%	44.9%	NA	32.1%	37.7%	11.3%	0.0%	25.2%	28.7%	26.4%
Dividend Ratio	0.3%	0.0%	NA	3.5%	0.1%	1.4%	0.0%	0.9%	0.2%	1.3%
Combined Ratio (including Dividend Ratio)	101.1%	133.3%	NA	115.2%	117.2%	82.5%	68.2%	102.9%	106.4%	120.7%
Combined Ratio (excluding Dividend Ratio)	100.8%	133.3%	NA	111.7%	117.1%	81.0%	68.2%	102.0%	106.2%	119.4%
Investment Ratio	35.6%	20.7%	NA	14.1%	19.4%	12.3%	-22.7%	13.2%	16.7%	24.8%
Operating Ratio	65.2%	112.6%	60.6%	97.6%	97.7%	68.7%	90.9%	84.8%	90.9%	95.9%
Pre-Tax Income Margin	4.5%	-4.6%	6.7%	-7.4%	-0.2%	6.7%	6.7%	1.8%	4.5%	-13.8%
Net Income Margin	3.3%	-19.0%	6.3%	-4.5%	0.0%	4.9%	5.5%	-0.5%	3.3%	-13.9%
ROE	3.9%	-26.5%	9.3%	-8.3%	-0.1%	10.2%	7.3%	-0.6%	3.9%	-11.1%
ROA	0.6%	-3.9%	0.5%	-1.2%	0.0%	2.4%	2.0%	0.1%	0.5%	-3.2%
Yield on Invested Assets	6.8%	4.5%	5.4%	4.5%	4.6%	5.4%	5.0%	5.2%	5.0%	5.4%
Operations										
Reserves to Losses Incurred	286.8%	383.0%	180.2%	315.1%	186.8%	160.0%	178.0%	241.4%	186.8%	357.6%
W/C % of NPW (2)	16.0%	28.9%	7.5%	33.6%	89.8%	18.7%	14.4%	29.8%	18.7%	100.0%
A.M. Best Rankings	A	A	A+	A	A-	A-	A	A	A	A-
Growth										
2-year Revenue CAGR (3)	0.2%	52.0%	6.8%	30.3%	24.6%	12.5%	4.8%	18.7%	12.5%	11.8%
4-year Revenue CAGR (3)	-1.1%	18.9%	-2.6%	16.4%	0.9%	10.8%	3.2%	6.6%	3.2%	20.2%
2-year Pre-Tax Income CAGR	211.3%	NA	-13.2%	NA	NA	353.4%	-1.1%	137.6%	105.1%	NA
4-year Pre-Tax Income CAGR	-10.6%	NA	-7.8%	NA	NA	56.2%	-8.5%	7.3%	-8.1%	NA
Leverage										
NPW/Book Value	0.7x	1.5x	0.8x	1.9x	1.8x	2.0x	1.3x	1.4x	1.5x	0.9x
Loss and LAE Reserves/ Book Value	1.6x	3.9x	1.6x	4.5x	2.6x	2.1x	1.5x	2.5x	2.1x	0.8x
Net Leverage	2.4x	5.4x	2.4x	6.4x	4.4x	4.1x	2.7x	4.0x	3.6x	1.7x

Footnotes:

(1) Industry data are based predominating workers' compensation organizations including state funds per A.M. Best's 2002 Aggregates & Averages Insurance Information Source.

(2) For Great American Group, figure represents % of American Financial Group's Specialty Group NPW. For Hartford Financial Services Group, figure represents % of earned revenues. For EMC Insurance Group, figure represents % of direct written premiums.

(3) Revenue is comprised of net premiums earned and net investment income.

NPE - Net Premiums Earned.

NPW - Net Premiums Written.

W/C - Workers' Compensation Insurance.

CAGR - Compounded Annual Growth Rate.

Status Quo Operations Scenario

Statutory Ratio Analysis – December 31, 2002

(dollars in millions)

	Great American Group	Argonaut Insurance Group	Hartford Insurance Pool	PMA Capital Insurance Group	Zenith National Insurance Group	EMC Insurance Companies	Harleysville Insurance	Mean	Median	Industry Average (1)	Workers Compensation Fund
Size											
Cash & Invested Assets % of Total Admitted Assets	82.1%	98.3%	81.5%	69.9%	85.8%	83.2%	84.2%	83.6%	83.2%	NA	96.3%
Total Admitted Assets	$ 6,735.7	$ 1,614.2	$ 23,952.7	$ 2,460.0	$ 1,267.1	$ 2,067.5	$ 2,984.3	$ 5,868.8	$ 2,460.0	$ 35,611.0	$ 829.2
Reserves % of Total Liabilities	54.4%	60.7%	52.1%	33.3%	75.7%	55.3%	46.7%	54.0%	54.4%	NA	90.1%
Statutory Surplus	$ 2,187.0	$ 258.0	$ 8,150.0	$ 580.2	$ 309.8	$ 140.3	$ 509.3	$ 1,733.5	$ 509.3	$ 8,022.0	$ 235.0
NPE	$ 2,372.1	$ 378.4	$ 7,678.4	$ 937.6	$ 558.1	$ 1,031.3	$ 1,086.2	$ 2,006.0	$ 1,031.3	NA	$ 185.3
Profitability											
Loss Ratio	76.4%	89.7%	71.1%	80.9%	79.2%	69.9%	67.8%	76.4%	76.4%	93.3%	93.0%
Expense Ratio	25.1%	42.8%	30.0%	31.1%	25.8%	31.6%	34.6%	31.6%	31.1%	23.3%	26.4%
Dividend Ratio	0.2%	0.4%	0.4%	0.8%	0.7%	1.0%	0.5%	0.6%	0.5%	3.0%	1.3%
Combined Ratio (including Dividend Ratio)	101.8%	132.9%	101.5%	112.8%	105.7%	102.4%	103.0%	108.6%	108.1%	119.6%	120.7%
Combined Ratio (excluding Dividend Ratio)	101.6%	132.5%	101.1%	112.0%	105.0%	101.4%	102.5%	108.0%	107.5%	116.6%	119.4%
Investment Ratio	12.2%	15.4%	15.1%	8.6%	11.5%	7.4%	11.2%	11.6%	11.5%	NA	24.8%
Operating Ratio	89.3%	117.1%	86.0%	103.3%	93.5%	94.0%	91.3%	96.4%	93.5%	102.3%	95.9%
Pre-Tax Income Margin (2)	7.2%	0.5%	58.9%	-4.7%	4.3%	4.9%	4.1%	10.8%	4.3%	-2.7%	-13.8%
Net Income Margin (2)	3.9%	-0.9%	57.1%	-2.9%	3.3%	1.3%	3.8%	9.3%	3.3%	1.3%	-13.9%
ROE	4.2%	-1.7%	57.0%	-5.3%	6.2%	9.8%	8.3%	11.2%	6.2%	-3.3%	-11.1%
ROA	1.4%	-0.3%	19.4%	-1.3%	1.5%	0.7%	1.4%	3.3%	1.4%	5.3%	-3.2%
Yield on Invested Assets	5.3%	5.4%	5.8%	6.0%	5.4%	5.0%	5.4%	5.5%	5.4%	5.6%	5.4%
Operations											
Reserves to Losses Incurred	214.4%	325.9%	194.8%	127.0%	217.5%	150.1%	170.2%	200.0%	194.8%	NA	357.6%
A.M. Best Rankings	A	A	A+	A	A-	A-	A	A	A	NA	A-
Growth											
2-year Revenue CAGR (3)	-1.9%	54.9%	7.2%	30.1%	26.3%	10.8%	4.2%	18.8%	10.8%	NA	11.8%
4-year Revenue CAGR (3)	-2.8%	20.0%	5.3%	15.8%	1.2%	9.8%	2.8%	7.4%	5.3%	NA	20.2%
2-year Pre-Tax Income CAGR	95.4%	NA	118.1%	NA	NA	NA	-15.7%	65.9%	95.4%	NA	NA
4-year Pre-Tax Income CAGR	-2.8%	51.0%	7.4%	19.5%	0.8%	10.2%	3.2%	12.8%	7.4%	NA	NA
Leverage											
NPW/Statutory Surplus	1.1x	1.9x	1.0x	1.8x	1.9x	2.3x	2.2x	1.7x	1.9x	1.2x	0.9x
Loss and LAE Reserves/ Statutory Surplus	1.4x	3.2x	1.1x	1.4x	2.3x	1.9x	2.0x	1.9x	1.9x	2.8x	0.8x
Net Leverage	2.5x	5.1x	2.1x	3.2x	4.2x	4.3x	4.2x	3.6x	3.8x	4.0x	1.7x

Footnotes:

(1) Industry data are based predominating workers' compensation organizations including state funds per A.M. Best's 2002 Aggregates & Averages Insurance Information Source.

(2) As percent of net premiums written

(3) Represents 2-year average due to limited data.

NPE - Net Premiums Earned.

NPW - Net Premiums Written.

W/C - Workers' Compensation Insurance.

CAGR - Compounded Annual Growth Rate.

Status Quo Operations Scenario

Market Approach – Multiple Selection

Statutory Representative Levels	Selected Multiple Range			Zenith	Percent of Zenith			Median	Percent of Median		
LTM Book Value	1.35 x	-	1.45 x	1.64 x	82.3%	-	88.4%	1.45 x	93.2%	-	100.1%
LTM Earnings	16.00 x	-	17.00 x	22.42 x	71.4%	-	75.8%	12.23 x	130.8%	-	139.0%
FYE 2002 Book Value	1.35 x	-	1.45 x	1.64 x	82.3%	-	88.4%	1.45 x	93.2%	-	100.1%
FYE 2002 Earnings	16.00 x	-	17.00 x	22.42 x	71.4%	-	75.8%	12.23 x	130.8%	-	139.0%
NPW / Surplus Approach											
FYE 2002 Book Value	1.50 x	-	1.60 x	1.64 x	91.4%	-	97.5%	1.45 x	100.1%	-	107.0%

GAAP Representative Levels	Selected Multiple Range			Zenith	Percent of Zenith			Median	Percent of Median		
FYE 2002 Book Value	1.25 x	-	1.35 x	1.60 x	78.0%	-	84.2%	1.11 x	112.5%	-	121.5%
Statutory to GAAP Approach											
LTM Book Value	1.25 x	-	1.35 x	1.56 x	80.0%	-	86.4%	1.18 x	105.7%	-	114.1%
FYE 2002 Book Value	1.25 x	-	1.35 x	1.60 x	78.0%	-	84.2%	1.11 x	112.5%	-	121.5%

GAAP (GASB) Representative Levels	Selected Multiple Range			Zenith	Percent of Zenith			Median	Percent of Median		
FYE 2002 Book Value	1.25 x	-	1.35 x	1.60 x	78.0%	-	84.2%	1.11 x	112.5%	-	121.5%

* Excluded from conclusion range.

Status Quo Operations Scenario

COMPANY GAAP BOOK VALUE ADJUSTED LEVELS

(dollars in thousands)

		Adjustments			
	Statutory Surplus	Stat. to GAAP [1]	Reserves [2]	Tabular Discount [3]	Adjusted Book Value
2002	$ 219,817	79,157	15,350	16,000	$ 330,324

Adjusted Level - FYE 2002 (rounded)	$ 330,000

(1) Per management, adjustments represent estimated changes in asset values from statutory accounting principles to GAAP accounting principles.
(2) Adjusted reserve adjustments to bring historic reserve levels to Tillinghast's recommended midpoint.
(3) Represents the estimated effect of tabular discounting on the 12-31-02 midpoint reserve indication per Tillinghast.

Status Quo Operations Scenario

ADJUSTED STATUTORY BOOK AND "EXCESS" SURPLUS

(dollars in thousands)

NPW/Surplus - Industry Average	1.20 x

	Adjusted Statutory Surplus	Adjustment (1)	Adjusted Statutory	"Excess" Surplus (2)
2002	$ 251,000	88,506	$ 162,494	$ 88,506
Adjusted Level - FYE 2002 (rounded)			162,000	89,000

(1) Based on industry average leverage ratio of 1.2x.
(2) Theoretical value only. The "Excess" Statutory Surplus amount may not necessarily represent an amount that is legally available for distribution to policyholders.

Status Quo Operations Scenario

ADJUSTED STATUTORY BOOK VALUE

(dollars in thousands)

	Statutory Surplus	Adjustments		Adjusted Statutory
		Reserves [1][2]	Tabular Discount [2] [3]	
LTM - 3-31-03	$ 225,110	15,350	16,000	$ 256,460
Adjusted Level - LTM 3-31-03 (rounded)				$ 256,000

	Statutory Surplus	Adjustments		Adjusted Statutory
		Reserves [1]	Tabular Discount [3]	
2002	$ 219,817	15,350	16,000	$ 251,167
Adjusted Level - FYE 2002 (rounded)				$ 251,000

(1) Adjusted reserve adjustments to bring historic reserve levels to Tillinghast's recommended midpoint.
(2) For the LTM period we have assumed the same reserve adjustment as for FYE 2002.
(3) Represents the estimated effect of tabular discounting on the 12-31-02 midpoint reserve indication per Tillinghast.

Status Quo Operations Scenario

GASB GAAP Book Value Adjusted Levels

(dollars in thousands)

	GAAP Book Value	Adjustments: Reserves [1]	Adjustments: Tabular Discount [2]	Adjustments: Subsidiaries [3]	Adjusted GAAP Book Value
2002	$ 301,173	15,350	16,000	(1,117)	$ 331,406
Adjusted Level - FYE 2002 (rounded)					331,000

(1) Represent reserve adjustments to bring historic reserve levels to Tillinghast's recommended midpoint.
(2) Represents the estimated effect of tabular discounting on the 12-31-02 midpoint reserve indication per Tillinghast.
(3) Represents the GAAP book value amount of Pinnacle and Advantage WorkComp Services.

Status Quo Operations Scenario

STATUTORY EARNINGS ADJUSTED LEVELS

(dollars in thousands)

	Statutory Earnings	Adjustments: Reserves [1][2]	Adjustments: Tabular Discount [2][3]	Adjustments: Realized Gain/Losses	Adjusted Statutory
LTM - 3-31-03	$ (21,288)	15,350	1,600	26,793	$ 22,455
Adjusted Level - LTM 3-31-03 (rounded)					$ 22,000

	Statutory Earnings	Adjustments: Reserves [1]	Adjustments: Tabular Discount [2][3]	Adjustments: Realized Gain/Losses	Adjusted Statutory
2002	$ (25,849)	15,350	1,600	25,896	$ 16,998
Adjusted Level - FYE 2002 (rounded)					$ 17,000

(1) Represent reserve adjustments to bring historic reserve levels to Tillinghast's recommended midpoint.
(2) For the LTM period we have assumed the same reserve adjustment as for FYE 2002.
(3) Estimated using the change in stated reserves multiplied by the resulting percentage derived by taking the estimated effect of tabular discounting on the 12-31-02 midpoint reserve indication per Tillinghast divided by stated reserves as of 12-31-02.

Valuation Summary

Status Quo Operations Scenario
Mutual Scenario
Stock Scenario
Sale Scenario
Valuation of Subsidiaries

Mutual Scenario

Valuation Assumptions

- This scenario assumes that WCF becomes a mutual insurance company effective January 1, 2004. Unlike the "Status Quo Operations" Scenario, we have also assumed that WCF ceases being the insurer of last resort and loses its tax-exempt status.
- The valuation in this scenario utilized the market and DCF approaches.
- The DCF analysis utilized financial projections provided by management incorporating the following operating and financial assumptions:
    - Operating:
        - No restrictions on premium growth;
        - WCF becomes a federally taxable entity; and
        - WCF is no longer the insurer of last resort for Utah.
    - Financial:
        - Slight improvements in the combined ratio from 107.1% to 99.9%;
        - Net premiums earned grow at a 4-year compounded annual growth rate (CAGR) of 7%; and
        - Slight improvement in the leverage position.
- Pinnacle, Univantage and Advantage WorkComp were valued separately.

Mutual Scenario

VALUATION CONCLUSION

(dollars in thousands)

	Range of WCF Equity Value				
Market Multiple Approach	$	360,000	-	$	390,000
Discounted Cash Flow Approach	$	330,000	-	$	390,000
Concluded Range of WCF Equity Value	**$**	**350,000**	**-**	**$**	**390,000**
Implied Statutory Book Value Multiple (1)		*1.39x*	-		*1.55x*
Implied Statutory Book Value Multiple (2)		*1.59x*	-		*1.77x*
Implied GAAP Book Value Multiple (3)		*1.06x*	-		*1.18x*
Implied GAAP Book Value Multiple (4)		*1.16x*	-		*1.29x*

(1) Derived using representative statutory book value as of FYE 2002.
(2) Derived using actual statutory book value as of FYE 2002.
(3) Derived using representative GAAP book value (based on GASB accounting principles) as of FYE 2002.
(4) Derived using actual GAAP book value (based on GASB accounting principles) as of FYE 2002.

Mutual Scenario

Market Approach – Summary of Valuation Indications

(dollars in thousands)

Statutory Book Value	Equity Value				
LTM					
Adjusted Book Value	$	358,400	-	$	384,000
Adjusted Earnings	$	361,000	-	$	380,000
FYE 2002					
Adjusted Book Value	$	351,400	-	$	376,500
Adjusted Earnings	$	285,000	-	$	300,000
NPW / Surplus Approach					
FYE 2002					
Adjusted Book Value	$	324,122	-	$	356,621
GAAP (Company Adjusted)					
FYE 2002					
Adjusted Book Value	$	429,000	-	$	462,000
Statutory to GAAP Book Value					
LTM					
Adjusted Book Value	$	389,081	-	$	419,010
FYE 2002					
Adjusted Book Value	$	381,482	-	$	410,827
GAAP (GASB)					
FYE 2002					
Adjusted Book Value	$	430,300	-	$	463,400
Mean	$	367,754	-	$	394,706
Median	$	361,000	-	$	384,000
Concluded Market Multiple Approach	**$**	**360,000**	**-**	**$**	**390,000**

Mutual Scenario

MARKET APPROACH – VALUATION INDICATIONS BASED ON GAAP RESULTS

(dollars in thousands)

GAAP (Company Adjusted)	Adjusted Level	Multiple Selection		Equity Value	
FYE 2002					
Adjusted Book Value	$ 330,000	1.30 x -	1.40 x	$ 429,000 -	$ 462,000

Statutory to GAAP Book Value	Statutory Book Value	Estimated Statutory to GAAP Factor	Resulting GAAP Book	Multiple Selection		Equity Value	
LTM							
Adjusted Book Value	$ 256,000	85.5%	$ 299,293	1.30 x -	1.40 x	$ 389,081 -	$ 419,010
FYE 2002							
Adjusted Book Value	$ 251,000	85.5%	$ 293,448	1.30 x -	1.40 x	$ 381,482 -	$ 410,827

GAAP (GASB)	Adjusted Level	Multiple Selection		Equity Value	
FYE 2002					
Adjusted Book Value	$ 331,000	1.30 x -	1.40 x	$ 430,300 -	$ 463,400

Mutual Scenario

Market Approach – Valuation Indications Based on Statutory Results

(dollars in thousands)

Statutory		Adjusted Level	Multiple Selection			Equity Value				
LTM										
Adjusted Book Value	$	256,000	1.40 x	-	1.50 x	$	358,400	-	$	384,000
Adjusted Earnings	$	19,000	19.00 x	-	20.00 x	$	361,000	-	$	380,000
FYE 2002										
Adjusted Book Value	$	251,000	1.40 x	-	1.50 x	$	351,400	-	$	376,500
Adjusted Earnings	$	15,000	19.00 x	-	20.00 x	$	285,000	-	$	300,000

NPW / Surplus Approach

Statutory		Implied Required Statutory Surplus	Multiple Selection				"Excess" Statutory Surplus [1]		Equity Value			
FYE 2002												
Adjusted Book Value	$	162,494	1.45 x	-	1.65 x	$	88,506	$	324,122	-	$	356,621

(1) Theoretical value only. The "Excess" Statutory Surplus amount may not necessarily represent an amount that is legally available for distribution to policyholders.

Mutual Scenario

Market Approach – Adjusted Statutory Earnings Levels

(dollars in thousands)

	Statutory Earnings		Adjustments						Adjusted Statutory	
			Reserves [1][2]	Tabular Discount [2][3]	Realized Gain/Losses	Loss of Residual Business [4]	Taxes @ 35%			
LTM - 3-31-03	$	(21,288)	15,350	1,600	26,793	6,160	(10,015)		$	18,599
Adjusted Level - LTM 3-31-03 (rounded)									$	19,000

	Statutory Earnings		Adjustments						Adjusted Statutory	
			Reserves [1]	Tabular Discount [2][3]	Realized Gain/Losses	Loss of Residual Business [4]	Taxes @ 35%			
2002	$	(25,849)	15,350	1,600	25,896	6,160	(8,105)		$	15,052
Adjusted Level - FYE 2002 (rounded)									$	15,000

(1) Represent reserve adjustments to bring historic reserve levels to Tillinghast's recommended midpoint.
(2) For the LTM period we have assumed the same reserve adjustment as for FYE 2002.
(3) Derived using the change in stated reserves multiplied by the resulting percentage derived by taking the estimated effect of tabular discounting on the 12-31-02 midpoint reserve indication per Tillinghast divided by stated reserves as of 12-31-02.
(4) Assumes residual business written at a 122% combined ratio, per management.

Mutual Scenario

Discounted Cash Flow Approach - Summary of Assumptions

(dollars in thousands)

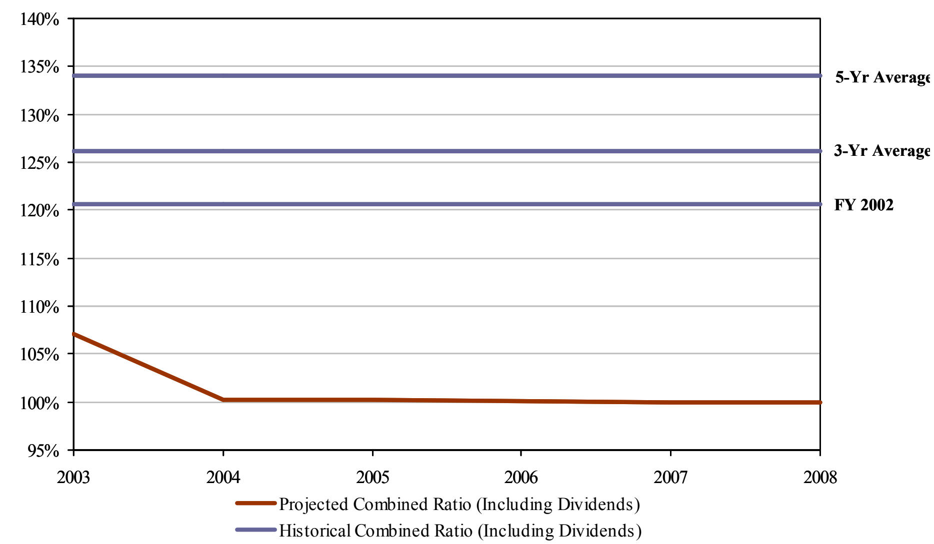
	2003	2004	2005	2006	2007	2008
Gross Earned Premiums	$ 215,750	$ 209,485	$ 226,937	$ 244,810	$ 263,145	$ 275,219
% Growth	*NA*	*-2.9%*	*8.3%*	*7.9%*	*7.5%*	*4.6%*
Net Earned Premiums	$ 212,403	$ 206,186	$ 223,337	$ 240,901	$ 258,913	$ 270,782
% Growth	*NA*	*-2.9%*	*8.3%*	*7.9%*	*7.5%*	*4.6%*
NPW/GPW	98.4%	98.4%	98.4%	98.4%	98.4%	98.4%
Combined Ratio (Including Dividends)	107.1%	100.3%	100.2%	100.1%	100.0%	99.9%
NPE Premium to Surplus	0.87 x	0.76 x	0.75 x	0.75 x	0.74 x	0.72 x

Mutual Scenario

COMBINED RATIOS

❖ Under the Mutual Scenario, the combined ratio is projected to improve to 100% from 2004 to 2008.

Combined Ratios



Mutual Scenario

Discounted Cash Flow Approach - Sensitivity Analysis

(dollars in thousands)

Equity Value Sensitivity Analysis

Discount Rate	Growth Rate 1.5%	2.5%	3.5%	4.5%	5.5%
9.5%	$416,752	$432,069	$452,493	$481,086	$523,975
10.5%	$399,304	$410,715	$425,385	$444,945	$472,330
11.5%	$385,273	$394,019	$404,951	$419,007	$437,748
12.5%	$373,726	$380,584	$388,967	$399,445	$412,917
13.5%	$364,042	$369,522	$376,098	$384,136	$394,183

Equity Value Range, on a Controlling Interest Basis (rounded)	**$**	**381,000**	**--**	**$**	**445,000**
Less: Lack of Control Discount @ 13.0% (1)		(49,696)	--		(58,043)
Equity Value Range, on a Minority Interest Basis (rounded)	**$**	**330,000**	**--**	**$**	**390,000**
Less: Marketability Discount @ 20.0% to 25.0%		(66,000)	--		(97,500)
Equity Value Range, on a Non-Marketable Minority Interest Basis (rounded)	**$**	**260,000**	**--**	**$**	**290,000**

(1) Equivalent to a control premium of 15.0%.

Mutual Scenario

Discounted Cash Flow Approach - Projected Cash Flows

(dollars in thousands)

	Stub 2003	Projected Fiscal Year Ended December 31, 2004	2005	2006	2007	2008
Beginning Reserve for Loss and LAE		-	100,767	172,244	236,927	299,768
Ending Reserve for Loss and LAE		100,767	172,244	236,927	299,768	361,803
Average Reserve for Loss and LAE		$ 50,384	$ 136,505	$ 204,586	$ 268,347	$ 330,785
Assuming Average Yield on Bonds @		3.70%	4.60%	5.00%	5.20%	5.20%
Investment Income on Average Reserves		$ 1,864	$ 6,279	$ 10,229	$ 13,954	$ 17,201
Net Earned Premium		$ 206,186	$ 223,337	$ 240,901	$ 258,913	$ 270,782
Less: Losses and LAE Expenses		(148,187)	(159,593)	(171,231)	(182,857)	(190,792)
Less: Underwriting Expenses		(56,116)	(61,589)	(67,209)	(73,238)	(76,882)
Underwriting Income (Loss)		$ 1,883	$ 2,155	$ 2,462	$ 2,818	$ 3,108
Investment Income and Underwriting Cash Flow		$ 3,747	$ 8,434	$ 12,691	$ 16,772	$ 20,309
Less: Income Tax @ 35.0%		(1,311)	(2,952)	(4,442)	(5,870)	(7,108)
After-Tax Investment Income and Underwriting Cash Flow		$ 2,435	$ 5,482	$ 8,249	$ 10,902	$ 13,201
Discount Period	0.25	0.75	1.75	2.75	3.75	4.75
Discount Factor @ 11.5%	0.97	0.92	0.83	0.74	0.66	0.60
PV of Investment Income and Underwriting Cash Flow	**$ -**	**$ 2,244**	**$ 4,531**	**$ 6,115**	**$ 7,248**	**$ 7,871**

Valuation Summary	
PV of 2008 After-Tax Underwriting Cash Flow	$ 13,201
Capitalization Rate (r - g)	8.0%
Terminal Value	$165,009
Discount Period	4.75
PV of Terminal Value	$98,390
Sum of PV of Underwriting Cash Flow	$ 28,010
Surplus at December 31, 2003 (Statutory)	$244,831
GAAP to Statutory Conversion	85.5%
Surplus at December 31, 2003 (GAAP)	$286,236
Discount Period	0.25
Discount Factor @ 11.5%	0.97
PV of Surplus	$278,551
Equity Value (Underwriting Cash Flow + Terminal Value + Surplus)	**$404,951**

Valuation Summary

- Status Quo Operations Scenario
- Mutual Scenario
- **Stock Scenario**
- Sale Scenario
- Valuation of Subsidiaries

Stock Scenario

Valuation Assumptions

- In this scenario, we assumed that the Company reorganizes and becomes a stock company effective January 1, 2004. In the event of such a conversion, it could undertake an IPO or remain privately owned.
- In the event that an IPO occurs, the valuation would most appropriately be expressed on a marketable minority interest basis. We have excluded any impact of an IPO discount or other pro-forma dilutive/accretive impact of an IPO on WCF's valuation.
- If the Company remains privately owned, a discount for lack of marketability should be applied to utilize a non-marketable, minority interest valuation.
- The valuation in this scenario utilized the market and DCF approaches.
- The DCF approach was based on financial projections provided by management containing the following summary of operating and financial assumptions:
  - Operating:
    - WCF becomes a federally taxable entity;
    - WCF is no longer the insurer of last resort for Utah;
    - No additional capital put into the Company through an IPO or otherwise; and
    - No restrictions or limitations on premium growth from being tax-exempt.

Stock Scenario

VALUATION ASSUMPTIONS *(CONTINUED)*

- Financial:
  - WCF has a 35% effective tax rate;
  - Significant improvements occur in the combined ratio from 107.1% to 95.1%; and
  - Net premiums earned grow at a 4-year compound annual growth rate (CAGR) of 20%.
- Pinnacle, Univantage and Advantage WorkComp were valued separately.

Stock Scenario

Valuation Summary

(dollars in thousands)

	Range of WCF Equity Value				
Market Multiple Approach	$	420,000	-	$	440,000
Discounted Cash Flow Approach	$	370,000	-	$	430,000
Concluded Range of WCF Equity Value	**$**	**400,000**	**-**	**$**	**440,000**
Implied Statutory Book Value Multiple [1]		*1.59x*	-		*1.75x*
Implied Statutory Book Value Multiple [2]		*1.82x*	-		*2.00x*
Implied GAAP Book Value Multiple [3]		*1.21x*	-		*1.33x*
Implied GAAP Book Value Multiple [4]		*1.33x*	-		*1.46x*

(1) Derived using representative statutory book value as of FYE 2002.
(2) Derived using actual statutory book value as of FYE 2002.
(3) Derived using representative GAAP book value (based on GASB accounting principles) as of FYE 2002.
(4) Derived using actual GAAP book value (based on GASB accounting principles) as of FYE 2002.

Stock Scenario

Market Multiple Approach – Summary of Valuation Indications

(dollars in thousands)

	Equity Value				
Statutory Book Value					
LTM					
Adjusted Book Value	$	422,400	-	$	448,000
Adjusted Earnings	$	418,000	-	$	437,000
FYE 2002					
Adjusted Book Value	$	414,150	-	$	439,250
Adjusted Earnings	$	330,000	-	$	345,000
NPW / Surplus Approach					
FYE 2002					
Adjusted Book Value	$	389,120	-	$	405,369
GAAP (Company Adjusted)					
FYE 2002					
Adjusted Book Value	$	462,000	-	$	495,000
Statutory to GAAP Book Value					
LTM					
Adjusted Book Value	$	419,010	-	$	448,940
FYE 2002					
Adjusted Book Value	$	410,827	-	$	440,171
GAAP (GASB)					
FYE 2002					
Adjusted Book Value	$	463,400	-	$	496,500
Mean	$	414,323	-	$	439,470
Median	$	418,000	-	$	440,171
Concluded Market Multiple Approach	**$**	**420,000**	**-**	**$**	**440,000**

Stock Scenario

Market Multiple Approach – Valuation Indications Based on GAAP Results

(dollars in thousands)

GAAP (Company Adjusted)	Adjusted Level	Multiple Selection	Equity Value
FYE 2002			
Adjusted Book Value	$ 330,000	1.40 x - 1.50 x	$ 462,000 - $ 495,000

Statutory to GAAP Book Value	Statutory Book Value	Estimated Statutory to GAAP Factor	Resulting GAAP Book	Multiple Selection	Equity Value
LTM					
Adjusted Book Value	$ 256,000	85.5%	$ 299,293	1.40 x - 1.50 x	$ 419,010 - $ 448,940
FYE 2002					
Adjusted Book Value	$ 251,000	85.5%	$ 293,448	1.40 x - 1.50 x	$ 410,827 - $ 440,171

GAAP (GASB)	Adjusted Level	Multiple Selection	Equity Value
FYE 2002			
Adjusted Book Value	$ 331,000	1.40 x - 1.50 x	$ 463,400 - $ 496,500

Stock Scenario

MARKET MULTIPLE APPROACH – VALUATION INDICATIONS BASED ON STATUTORY RESULTS

(dollars in thousands)

Statutory	Adjusted Level	Multiple Selection			Equity Value		
LTM							
Adjusted Book Value	$ 256,000	1.65 x	-	1.75 x	$ 422,400	-	$ 448,000
Adjusted Earnings	$ 19,000	22.00 x	-	23.00 x	$ 418,000	-	$ 437,000
FYE 2002							
Adjusted Book Value	$ 251,000	1.65 x	-	1.75 x	$ 414,150	-	$ 439,250
Adjusted Earnings	$ 15,000	22.00 x	-	23.00 x	$ 330,000	-	$ 345,000

NPW / Surplus Approach

Statutory	Implied Required Statutory Surplus	Multiple Selection			"Excess" Statutory Surplus [(1)]	Equity Value		
FYE 2002								
Adjusted Book Value	$ 162,494	1.85 x	-	1.95 x	$ 88,506	$ 389,120	-	$ 405,369

(1) Theoretical value only. The "Excess" Statutory Surplus amount may not necessarily represent an amount that is legally available for distribution to policyholders.

Stock Scenario

MARKET MULTIPLE APPROACH – ADJUSTED STATUTORY EARNINGS

(dollars in thousands)

	Statutory Earnings	Adjustments					
		Reserves (1)(2)	Tabular Discount (2) (3)	Realized Gain/Losses	Loss of Residual Business (4)	Taxes @ 35%	Adjusted Statutory
LTM - 3-31-03	$ (21,288)	15,350	1,600	26,793	6,160	(10,015)	$ 18,599
Adjusted Level - LTM 3-31-03 (rounded)							$ 19,000

	Statutory Earnings	Adjustments					
		Reserves (1)	Tabular Discount (2) (3)	Realized Gain/Losses	Loss of Residual Business (4)	Taxes @ 35%	Adjusted Statutory
2002	$ (25,849)	15,350	1,600	25,896	6,160	(8,105)	$ 15,052
Adjusted Level - FYE 2002 (rounded)							$ 15,000

(1) Represent reserve adjustments to bring historic reserve levels to Tillinghast's recommended midpoint.
(2) For the LTM period we have assumed the same reserve adjustment as for FYE 2002.
(3) Derived using the change in stated reserves multiplied by the resulting percentage derived by taking the estimated effect of tabular discounting on the 12-31-02 midpoint reserve indication per Tillinghast divided by stated reserves as of 12-31-02.
(4) Assumes residual business written at a 122% combined ratio, per management.

Stock Scenario

Discounted Cash Flow Approach - Summary of Assumptions

(dollars in thousands)

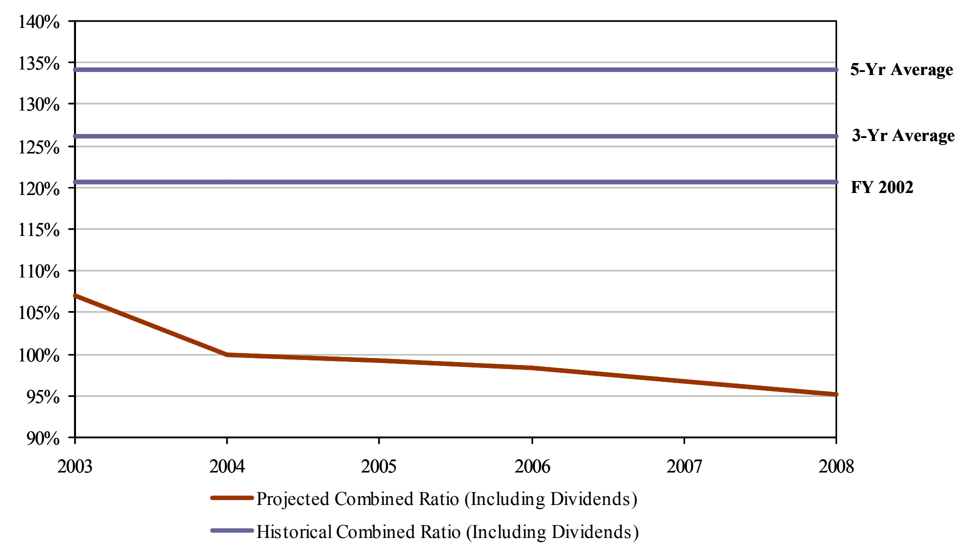
	2003	2004	2005	2006	2007	2008
Gross Earned Premiums	$ 215,750	$ 223,145	$ 265,930	$ 317,466	$ 387,599	$ 463,419
% Growth	*NA*	*3.4%*	*19.2%*	*19.4%*	*22.1%*	*19.6%*
Net Earned Premiums	$ 212,403	$ 219,581	$ 261,595	$ 312,197	$ 381,050	$ 455,484
% Growth	*NA*	*3.4%*	*19.1%*	*19.3%*	*22.1%*	*19.5%*
NPW/GPW	98.4%	98.4%	98.4%	98.3%	98.3%	98.3%
Combined Ratio (Including Dividends)	107.1%	99.9%	99.2%	98.4%	96.7%	95.1%
NPE Premium to Surplus	0.87 x	0.81 x	0.88 x	0.95 x	1.04 x	1.10 x

Stock Scenario

Combined Ratios

❖ Under the Stock Scenario, the combined ratio is projected to improve to levels below 100% by year 2005.

Combined Ratios



Stock Scenario

Discounted Cash Flow Approach - Sensitivity Analysis

(dollars in thousands)

Equity Value Sensitivity Analysis

Discount Rate	Growth Rate: 1.5%	2.5%	3.5%	4.5%	5.5%
12.5%	$472,872	$488,053	$506,609	$529,804	$559,625
13.5%	$452,511	$464,641	$479,198	$496,990	$519,230
14.5%	$435,304	$445,150	$456,786	$470,748	$487,814
15.5%	$420,573	$428,671	$438,118	$449,283	$462,681
16.5%	$407,819	$414,556	$422,329	$431,397	$442,114

Equity Value Range, on a Controlling Interest Basis (rounded)	**$ 429,000**	**--**	**$ 497,000**
Less: Lack of Control Discount @ 13.0% (1)	(55,957)	--	(64,826)
Equity Value Range, on a Minority Interest Basis (rounded)	**$ 370,000**	**--**	**$ 430,000**
Less: Marketability Discount @ 20.0% to 25.0%	(74,000)	--	(107,500)
Equity Value Range, on a Non-Marketable Minority Interest Basis (rounded)	**$ 300,000**	**--**	**$ 320,000**

(1) Equivalent to a control premium of 15.0%.

Stock Scenario

DISCOUNTED CASH FLOW APPROACH - PROJECTED CASH FLOWS

(dollars in thousands)

	Stub	Projected Fiscal Year Ended December 31,				
	2003	2004	2005	2006	2007	2008
Beginning Reserve for Loss and LAE		-	107,471	192,742	279,257	374,855
Ending Reserve for Loss and LAE		107,471	192,742	279,257	374,855	491,306
Average Reserve for Loss and LAE		$ 53,736	$ 150,106	$ 235,999	$ 327,056	$ 433,081
Assuming Average Yield on Bonds @		3.70%	4.60%	5.00%	5.20%	5.20%
Investment Income on Average Reserves		$ 1,988	$ 6,905	$ 11,800	$ 17,007	$ 22,520
Net Earned Premium		$ 219,581	$ 261,595	$ 312,197	$ 381,050	$ 455,484
Less: Losses and LAE Expenses		(158,046)	(183,503)	(213,286)	(249,886)	(288,030)
Less: Underwriting Expenses		(61,387)	(76,006)	(93,792)	(118,403)	(145,019)
Underwriting Income (Loss)		$ 148	$ 2,086	$ 5,120	$ 12,761	$ 22,435
Investment Income and Underwriting Cash Flow		$ 2,136	$ 8,991	$ 16,920	$ 29,768	$ 44,955
Less: Income Tax @ 35.0%		(748)	(3,147)	(5,922)	(10,419)	(15,734)
After-Tax Underwriting Cash Flow		$ 1,388	$ 5,844	$ 10,998	$ 19,349	$ 29,221
Discount Period	0.25	0.75	1.75	2.75	3.75	4.75
Discount Factor @ 14.5%	0.97	0.90	0.79	0.69	0.60	0.53
PV of Underwriting Cash Flow	**$ -**	**$ 1,254**	**$ 4,611**	**$ 7,579**	**$ 11,645**	**$ 15,359**

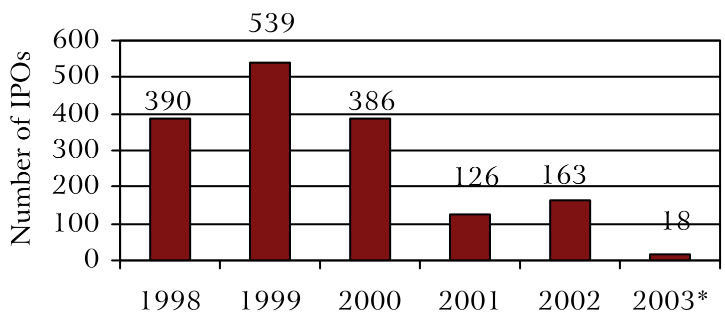
Valuation Summary	
PV of 2008 After-Tax Underwriting Cash Flow	$ 29,221
Capitalization Rate (r - g)	11.0%
Terminal Value	$265,645
Discount Period	4.75
PV of Terminal Value	$139,629
Sum of PV of Underwriting Cash Flow	$ 40,448
Surplus at December 31, 2003 (Statutory)	$244,831
GAAP to Statutory Conversion	85.5%
Surplus at December 31, 2003 (GAAP)	$286,236
Discount Period	0.25
Discount Factor @ 14.5%	0.97
PV of Surplus at January 1, 2004	$276,709
Equity Value (Underwriting Cash Flow + Terminal Value + Surplus)	**$456,786**

Stock Scenario

Total Number of IPOs

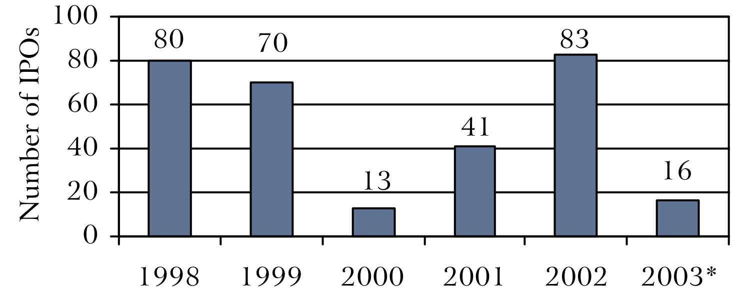
- The IPO market has been stagnant in 2003 as the number of overall IPOs and IPOs for the financial sector have been a fraction of their 2002 levels.

Total IPOS



Source: Thomson Financial. YTD as of June 3, 2003.

Financial Sector IPOS



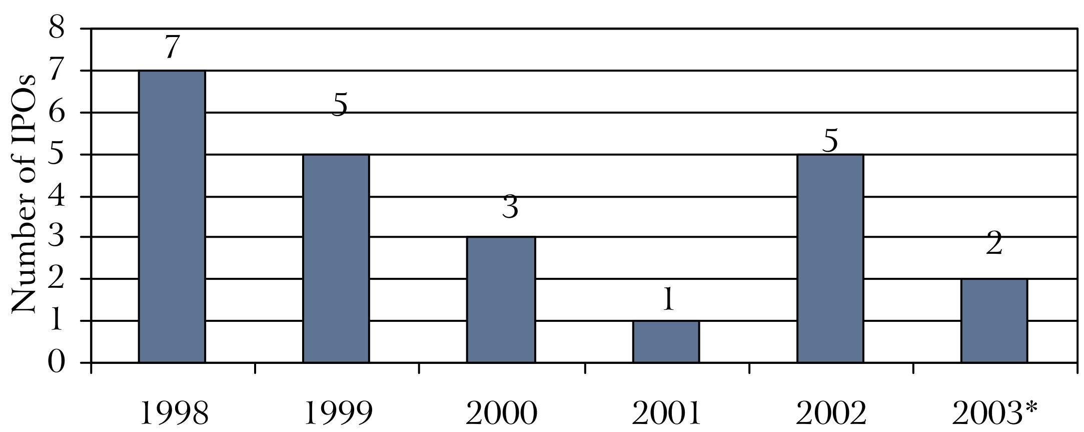
Source: Thomson Financial. YTD as of June 3, 2003.

Stock Scenario

Insurance Sector IPOs

❖ IPOs in the insurance sector have historically been weak, averaging four IPOs, annually over the last five years.

Insurance Sector IPOS



** Source: Thomson Financial. YTD as of June 3, 2003.*

Valuation Summary

Status Quo Operations Scenario
Mutual Scenario
Stock Scenario
Sale Scenario
Valuation of Subsidiaries

Sale Scenario

Valuation Assumptions

- Under the Sale scenario, we assumed that WCF is sold to a third-party financial or strategic buyer, with a loss of tax-exempt and insurer of last resort status.
- Our valuation conclusions are based on three approaches:
  - The Stock Scenario conclusion plus a control premium. The control premium includes the empirical results from sources including but not limited, to the Mergerstat Control Premium study. The empirical data does not consider specific synergies, motivations or economic benefits that are associated with any one particular investor or buyer. Similarly, it does not consider the specific synergies, motivations or economic benefits associated with the seller;
  - An analysis of comparable merger and acquisitions transactions in the insurance sector since January 2001 including multiples paid (comparable transactions approach); and
  - A discounted cash flow analysis using the same assumptions highlighted in the Stock Scenario.
- We have not conducted a market test for the sale of the Company.
- Pinnacle, Univantage and Advantage WorkComp were valued separately.

Sale Scenario

VALUATION SUMMARY

(dollars in thousands)

Market Multiple Approach

Concluded Range of Minority Equity Value [1]	Range of Control Premiums	Range of Control Equity Value
$ 400,000 - $ 440,000	10.0% - 20.0%	$ 440,000 - $ 528,000

	Range of Control Equity Value
Comparable Transaction Approach	
Market Multiple Approach	$ 440,000 - $ 470,000
Discounted Cash Flow Approach	
Discounted Cash Flow Approach	$ 429,000 - $ 497,000
Mean	$ 434,500 - $ 483,500
Median	$ 434,500 $ 483,500

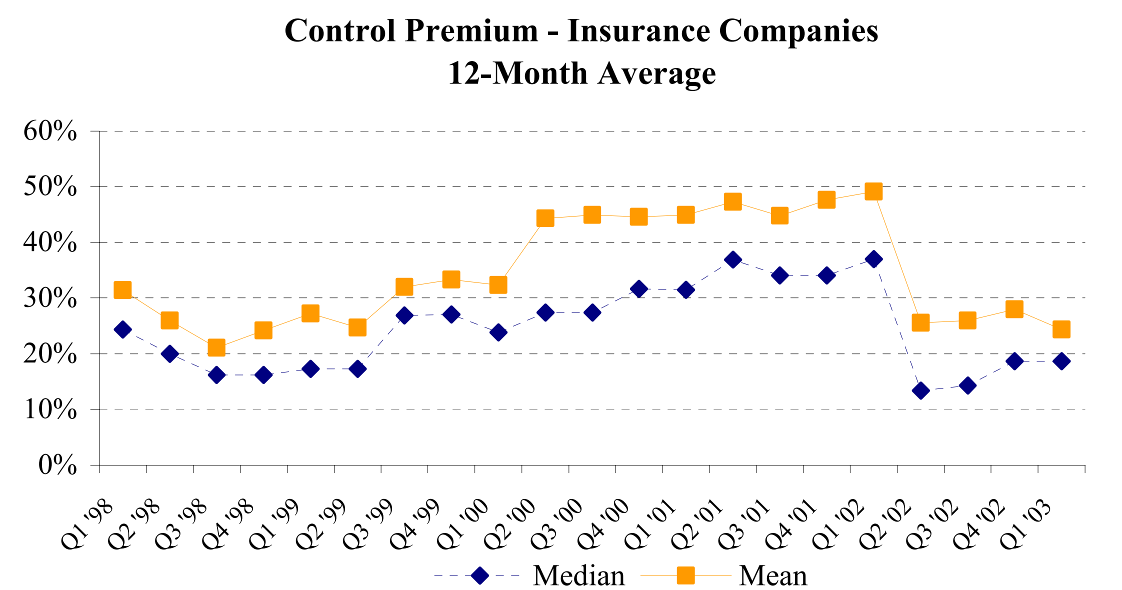
	Low		High
Concluded Range of WCF Control Equity Value	**$ 440,000**	**-**	**$ 510,000**
Implied Statutory Book Value Multiple [2]	*1.75x*	-	*2.03x*
Implied Statutory Book Value Multiple [3]	*2.00x*	-	*2.32x*
Implied GAAP Book Value Multiple [4]	*1.33x*	-	*1.54x*
Implied GAAP Book Value Multiple [5]	*1.46x*	-	*1.69x*

(1) Represents the minority equity value conclusion determined under the Stock Approach.
(2) Derived using representative statutory book value as of FYE 2002.
(3) Derived using actual statutory book value as of FYE 2002.
(4) Derived using representative GAAP book value (based on GASB accounting principles) as of FYE 2002.
(5) Derived using actual GAAP book value (based on GASB accounting principles) as of FYE 2002.

Sale Scenario

CONTROL PREMIUM TRENDS

- Control premiums have returned to the levels of late 1990's, after a steady climb in years 2000 and 2001.

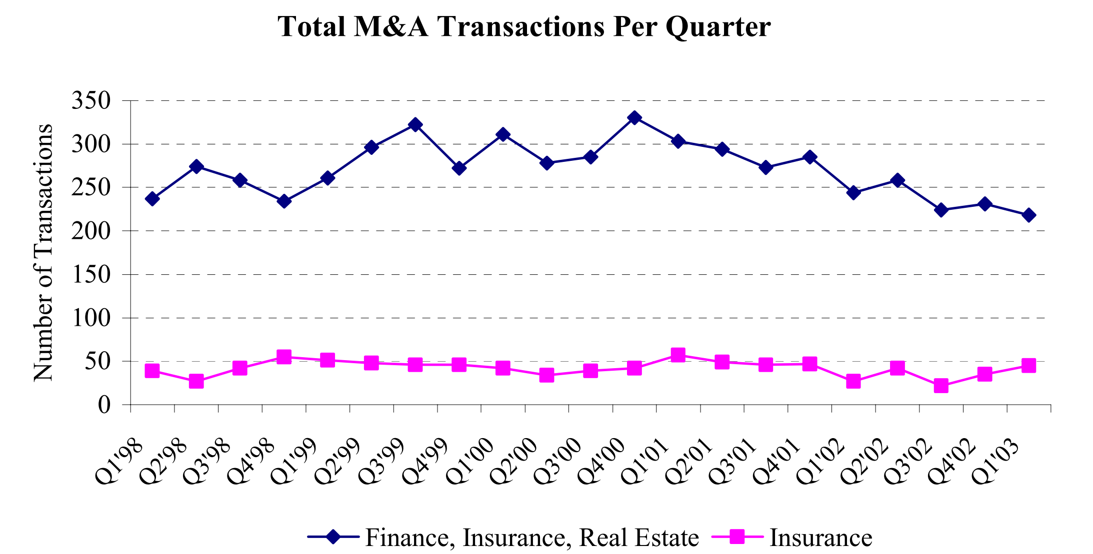


Source: Mergerstat Control Premium Study

Sale Scenario

MERGERS & ACQUISITIONS ACTIVITY

- Mergers and acquisitions activities have remained relatively constant for the insurance industry, although the number of transactions have decreased in the broader Finance, Insurance, and Real Estate sector.



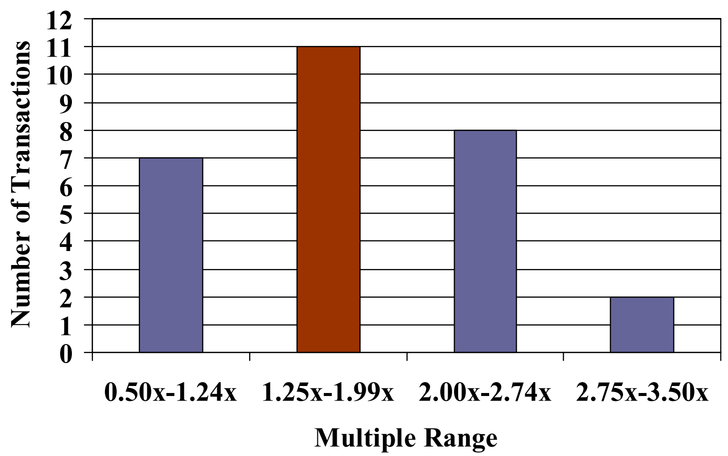
Source: Mergerstat

Sale Scenario

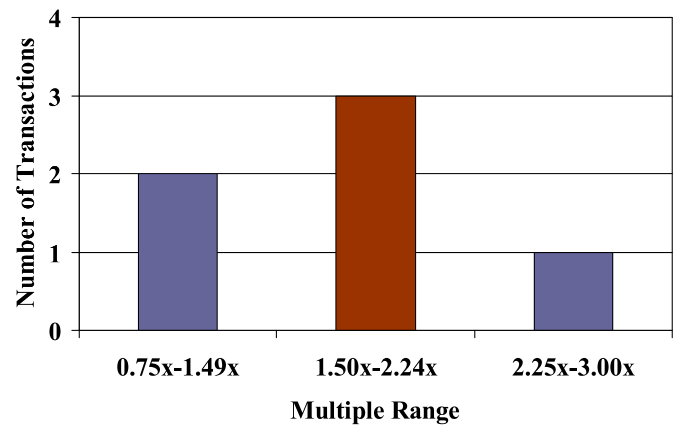
GAAP and Statutory Book Value Multiple Distribution

- Based on our analysis of transactions since 2001, most occurred at valuations between 1.25 times and 1.98 times GAAP book value, and 1.50 times and 2.24 times statutory book value.

GAAP Book Value Multiple Distribution



Statutory Book Value Multiple Distribution



Sale Scenario

COMPARABLE TRANSACTIONS APPROACH SUMMARY

(dollars in thousands, except ratios)

	Equity Value				
Statutory Book Value					
LTM					
Adjusted Book Value	$	409,600	-	$	435,200
FYE 2002					
Adjusted Book Value	$	401,600	-	$	426,700
NPW / Surplus Approach					
FYE 2002					
Adjusted Book Value	$	372,870	-	$	389,120
GAAP (Company Adjusted)					
FYE 2002					
Adjusted Book Value	$	495,000	-	$	528,000
Statutory to GAAP Book Value					
LTM					
Adjusted Book Value	$	448,940	-	$	478,869
FYE 2002					
Adjusted Book Value	$	440,171	-	$	469,516
GAAP (GASB)					
FYE 2002					
Adjusted Book Value	$	496,500	-	$	529,600
Mean	$	437,812	-	$	465,286
Median	$	440,171	-	$	469,516
Concluded Market Multiple Approach	**$**	**440,000**	**-**	**$**	**470,000**

Sale Scenario

Comparable Transactions Approach – Valuation Indications Based on GAAP Results

(dollars in thousands)

GAAP (Company Adjusted)	Adjusted Level	Multiple Selection			Control Equity Value		
FYE 2002							
Adjusted Book Value	$ 330,000	1.50 x	-	1.60 x	$ 495,000	-	$ 528,000

Statutory to GAAP Book Value	Statutory Book Value	Estimated Statutory to GAAP Factor	Resulting GAAP Book	Multiple Selection			Control Equity Value		
LTM									
Adjusted Book Value	$ 256,000	85.5%	$ 299,293	1.50 x	-	1.60 x	$ 448,940	-	$ 478,869
FYE 2002									
Adjusted Book Value	$ 251,000	85.5%	$ 293,448	1.50 x	-	1.60 x	$ 440,171	-	$ 469,516

GAAP (GASB)	Adjusted Level	Multiple Selection			Control Equity Value		
FYE 2002							
Book Value	$ 331,000	1.50 x	-	1.60 x	$ 496,500	-	$ 529,600

Sale Scenario

COMPARABLE TRANSACTIONS APPROACH – VALUATION INDICATIONS BASED ON STATUTORY RESULTS

(dollars in thousands)

Statutory	Adjusted Level	Multiple Selection			Control Equity Value		
LTM							
Adjusted Book Value	$ 256,000	1.60 x	-	1.70 x	$ 409,600	-	$ 435,200
FYE 2002							
Adjusted Book Value	$ 251,000	1.60 x	-	1.70 x	$ 401,600	-	$ 426,700

NPW / Surplus Approach

Statutory	Implied Required Statutory Surplus	Multiple Selection			"Excess" Statutory Surplus [1]	Control Equity Value		
FYE 2002								
Adjusted Book Value	$ 162,494	1.75 x	-	1.85 x	$ 88,506	$ 372,870	-	$ 389,120

(1) Theoritical value only. The "Excess" Statutory Surplus amount may not necessarily represent an amount that is legally available for distribution to policyholders.

Sale Scenario

Comparable Transaction Summary

(figures in millions)

Announced	Effective	Target	Target Industry Segment	Acquiror	Total Assets	Book Value	Price / Book Value	Statutory Book Value	Price / Statutory Book Value
05/30/03		State Auto Financial Corp	Underwrites property and casualty insurance policies	Private Investor Group Led by Shepard	$1,637.3	$483.9	2.24 x	$359.3	3.01 x
05/27/03		Generali France Assurances	Insurance group	Assicurazioni Generali SpA	$10,302.3	$222.7	3.38 x	NA	NA
02/18/03	04/22/03	American Independence Corp	Provides disability, group and individual life, and credit life insurance services	Independence Holding Co	$83.5	$43.2	1.75 x	NA	NA
01/22/03	06/02/03	Lighthouse Financial Services Inc	Provides financial products including banking, mortgage, investment, insurance, small business lending and trust services	SunTrust Banks Inc	$624.1	$31.6	4.11 x	NA	NA
01/16/03		Allcity Insurance Co	Provides property and casualty insurance services	Leucadia National Corp	$250.3	$21.0	0.93 x	$24.9	0.78 x
12/31/02	01/02/03	Fifth Third Bancorp	Provides insurance brokerage services	Hub International Ltd	$16.9	$0.7	53.39 x	NA	NA
12/03/02	12/03/02	Millers American Group Inc	Provides insurance services	Hallmark Financial Services Inc	$5.1	($0.7)	(2.69x)	$5.7	0.35 x
11/11/02	02/19/03	First Alliance Corp	Provides life insurance brokerage services	Citizens Inc	$28.7	$10.3	1.67 x	NA	NA
11/07/02	11/07/02	Atrium Underwriting Plc	Operates as a holding company for a group of insurance providers	Hardy Underwriting Group Plc	$478.8	$71.0	0.79 x	NA	NA
09/26/02	11/26/02	Long Miller & Associates LLC	Provides business-owned life insurance portfolio services	Clark/Bardes Inc	$25.1	$14.6	28.29 x	NA	NA
09/03/02	09/03/02	Scott (Barry) Insurance Agency	Provides insurance brokerage services	DCAP Group Inc	$0.5	($0.5)	(1.75x)	NA	NA
07/05/02	08/01/02	Coface	Provides insurance services	Banque Federale des Banques Populaires	$1,979.1	$513.8	1.52 x	NA	NA
06/05/02	06/13/02	First Commonwealth Corp	Provides individual life insurance services	United Trust Group Inc	$312.4	$32.6	0.42 x	$16.1	0.84 x
05/30/02	01/02/03	La Fondiaria Assicurazioni Spa	Provides insurance	Sai Societa Assicuratrice Industriale Spa	$13,243.8	$1,214.8	0.85 x	NA	NA

Sale Scenario

COMPARABLE TRANSACTION SUMMARY *(CONTINUED)*

(figures in millions)

Announced	Effective	Target	Target Industry Segment	Acquiror	Total Assets	Book Value	Price / Book Value	Statutory Book Value	Price / Statutory Book Value
05/13/02	07/01/02	Hobbs Group LLC	Provides property and casualty insurance, risk management, and employee benefit brokerage services	Hilb Rogal & Hamilton Co	$137.4	($64.4)	(4.25x)	NA	NA
05/02/02	05/02/02	Kiln Plc	Provides specialist insurance underwriting services	Berkley (WR) Corp	$361.5	$93.6	1.66 x	NA	NA
04/22/02	07/01/02	BoE Ltd	Provides financial services including banking and insurance	Nedcor Ltd	$7,981.4	$760.0		NA	NA
04/02/02	07/04/02	Coface	Provides insurance services	Banque Federale des Banques Populaires	$1,979.1	$513.8	1.56 x	NA	NA
03/28/02	04/16/02	Milne & Co Insurance Inc	Provides health and life insurance services	BNCCORP Inc				NA	NA
03/01/02	03/01/02	Fjarfestingarfelagid Straumur Hf	Provides insurance services	Landsbanki Islands HF	$156.3	$42.1		NA	NA
02/27/02	04/02/02	American Country Holdings Inc	Provides property and casualty insurance services	Kingsway Financial Services Inc	$212.7	$31.8	0.76 x	$25.6	0.94 x
02/15/02		Sai Societa Assicuratrice Industriale Spa	Provides insurance	Mittel SpA / Commerzbank AG	$13,243.8	$1,214.8	2.65 x	NA	NA
02/02/02		Montedison SpA	Provides insurance	Private Group Led By JP Morgan, Interbanca and	$13,243.8	$1,214.8	2.62 x	NA	NA
12/21/01	12/21/01	Zurich Financial Service AG	Offers life and non-life insurance services	ABN AMRO Holding NV	$33,667.0	$6,220.4	0.80 x	$2,434.7	2.05 x
12/17/01	05/29/02	Clarica Life Insurance Co	Underwrites life and health insurance, reinsurance and pension schemes	Sun Life Financial Services of Canada Inc	$27,585.3	$2,066.7	2.16 x	NA	NA
10/16/01	10/16/01	Convert-Tech Inc	Provides insurance distribution, policy servicing and review process through the Internet	Synergy 2000 Inc			500.00 x	NA	NA
09/26/01		Ceska pojistovna as	Provides insurance services	PPF-Investicni Holding AS	$2,435.1	$257.1	0.77 x	NA	NA
09/17/01	10/17/01	Commonwealth Bank of Australia	Provides life insurance	Allianz AG	$245.5	$9.4	8.00 x	NA	NA
07/27/01	11/23/01	Interamerican Hellenic Life Insurance Co SA	Provides life insurance	Eureko BV	$1,235.0	$242.9	6.59 x	NA	NA
07/20/01	01/04/02	Capitol Transamerica Corp	Underwrites property, casualty, fidelity, and surety insurance	Alleghany Corp	$283.1	$144.5	1.25 x	$112.6	1.61 x

Sale Scenario

Comparable Transaction Summary *(continued)*

(figures in millions)

Announced	Effective	Target	Target Industry Segment	Acquiror	Total Assets	Book Value	Price / Book Value	Statutory Book Value	Price / Statutory Book Value
06/26/01	09/04/01	Towry Law Plc	Provides insurance broking and independent investment and pension advisory services	AMP Ltd	$31.0	$1.3	85.02 x	NA	NA
06/19/01	10/01/01	Royal & Sun Alliance Insurance Group Plc	Provides life insurance services	Hancock (John) Financial Services Inc	$422.8	$63.0	2.44 x	NA	NA
06/14/01	07/03/01	Fortis NL NV	Provides general insurance and life insurance	CGNU PLC		$123.2	1.36 x	NA	NA
06/14/01	07/03/01	Fortis AG	Provides general insurance and life insurance	Aviva Plc		$123.2	1.36 x	NA	NA
06/08/01	06/08/01	Scor SA	Provides credit insurance services	Allianz AG	$4,234.8	$669.6	2.49 x	$336.5	4.96 x
06/04/01	12/12/01	Liberty Financial Cos Inc	Provides life insurance products and institutional asset management services	Liberty Mutual Group	$19,898.4	$906.3	1.83 x	NA	NA
05/29/01	07/27/01	Interamerican Hellenic Life Insurance Co SA	Provides life insurance	Eureko BV	$1,235.0	$242.9	6.57 x	NA	NA
05/23/01	06/08/01	British Bloodstock Agency Plc(The)	Provides insurance brokering services	Hamilton & Partners Ltd		$0.7	1.77 x	NA	NA
05/22/01		Resolve International Ltd	Provides advisory services in the insurance industry specialising in handling large and	Charles Taylor Consulting Plc		$0.9	7.94 x	NA	NA
05/16/01	07/06/01	Berner Allgemeine Versicherungsgesellschaf	Provides insurance brokerage services	Allianz AG	$3,368.9	$227.1	1.72 x	NA	NA
05/08/01	08/15/01	Front Royal Inc	Insurance holding company	Argonaut Group Inc	$464.9			NA	NA
04/27/01	06/18/01	Southwestern Life Holdings Inc	Underwrites and markets fixed benefit accident and sickness insurance	Swiss Re Life & Health America Holding Co	$2,522.8	$167.6	1.00 x	NA	NA
04/18/01	07/11/01	Florida Select Insurance Holdings Inc	Provides insurance services for homeowners and residential properties	Vesta Insurance Group Inc	$104.2	$31.2	2.07 x	$18.6	3.46 x

Sale Scenario

COMPARABLE TRANSACTIONS SUMMARY *(CONTINUED)*

(figures in millions)

Announced	Effective	Target	Target Industry Segment	Acquiror	Total Assets	Book Value	Price / Book Value	Statutory Book Value	Price / Statutory Book Value
04/03/01	08/29/01	American General Corp	Provides retirement annuities and life insurance	American International Group Inc	$124,356.0	$7,140.0	3.13 x	NA	NA
03/23/01	06/22/01	Altus Holdings Ltd	Provides insurance and alternative risk transfer services	Arch Capital Group Ltd				NA	NA
03/01/01	05/17/01	Balta	Provides insurance services	Codan				NA	NA
01/20/01	06/29/01	Kaye Group Inc	Underwrites property and casualty risk insurance	Hub International Ltd	$152.1	$54.0	2.20 x	$35.3	3.36 x
01/18/01	05/18/01	InterContinental Life	Provides life, accident and health insurance	Financial Industries Corp	$1,307.6	$164.2	0.93 x	$71.7	2.12 x

	Total Assets	Book Value	Price / Book Value	Statutory Book Value	Price / Statutory Book Value
Low	$0.5	($64.4)	0.42 x	$5.7	0.35 x
High	$124,356.0	$7,140.0	8.00 x	$2,434.7	3.46 x
Median	$551.4	$123.2	1.75 x	$35.3	1.83 x
Mean	$7,246.3	$588.9	2.38 x	$312.8	1.85 x

Footnotes:

Transactions with announcement dates between 1/1/01 and 6/3/03 for which purchase price multiples were available were considered. Sources included Securities Data Company, Mergerstat, and public filings.

Sale Scenario

Discounted Cash Flow Approach - Summary of Assumptions

(dollars in thousands)

	2003	2004	2005	2006	2007	2008
Gross Earned Premiums	$ 215,750	$ 223,145	$ 265,930	$ 317,466	$ 387,599	$ 463,419
% Growth	*NA*	*3.4%*	*19.2%*	*19.4%*	*22.1%*	*19.6%*
Net Earned Premiums	$ 212,403	$ 219,581	$ 261,595	$ 312,197	$ 381,050	$ 455,484
% Growth	*NA*	*3.4%*	*19.1%*	*19.3%*	*22.1%*	*19.5%*
NPW/GPW	98.4%	98.4%	98.4%	98.3%	98.3%	98.3%
Combined Ratio (Including Dividends)	107.1%	99.9%	99.2%	98.4%	96.7%	95.1%
NPE Premium to Surplus	0.87 x	0.81 x	0.88 x	0.95 x	1.04 x	1.10 x

Sale Scenario

DISCOUNTED CASH FLOW APPROACH - SENSITIVITY ANALYSIS

(dollars in thousands)

Equity Value Sensitivity Analysis

		Growth Rate				
		1.5%	**2.5%**	**3.5%**	**4.5%**	**5.5%**
Discount Rate	**12.5%**	$472,872	$488,053	$506,609	$529,804	$559,625
	13.5%	$452,511	$464,641	$479,198	$496,990	$519,230
	14.5%	$435,304	$445,150	$456,786	$470,748	$487,814
	15.5%	$420,573	$428,671	$438,118	$449,283	$462,681
	16.5%	$407,819	$414,556	$422,329	$431,397	$442,114

Equity Value Range, on a Controlling Interest Basis (rounded)	**$ 429,000**	**--**	**$ 497,000**
Less: Lack of Control Discount @ 13.0% (1)	(55,957)	--	(64,826)
Equity Value Range, on a Minority Interest Basis (rounded)	**$ 370,000**	**--**	**$ 430,000**
Less: Marketability Discount @ 20.0% to 25.0%	(74,000)	--	(107,500)
Equity Value Range, on a Non-Marketable Minority Interest Basis (rounded)	**$ 300,000**	**--**	**$ 320,000**

(1) Equivalent to a control premium of 15.0%.

Sale Scenario

Discounted Cash Flow Approach - Projected Cash Flows

(dollars in thousands)

	Stub 2003	Projected Fiscal Year Ended December 31, 2004	2005	2006	2007	2008
Beginning Reserve for Loss and LAE		-	107,471	192,742	279,257	374,855
Ending Reserve for Loss and LAE		107,471	192,742	279,257	374,855	491,306
Average Reserve for Loss and LAE		$ 53,736	$ 150,106	$ 235,999	$ 327,056	$ 433,081
Assuming Average Yield on Bonds @		3.70%	4.60%	5.00%	5.20%	5.20%
Investment Income on Average Reserves		$ 1,988	$ 6,905	$ 11,800	$ 17,007	$ 22,520
Net Earned Premium		$ 219,581	$ 261,595	$ 312,197	$ 381,050	$ 455,484
Less: Losses and LAE Expenses		(158,046)	(183,503)	(213,286)	(249,886)	(288,030)
Less: Underwriting Expenses		(61,387)	(76,006)	(93,792)	(118,403)	(145,019)
Underwriting Income (Loss)		$ 148	$ 2,086	$ 5,120	$ 12,761	$ 22,435
Investment Income and Underwriting Cash Flow		$ 2,136	$ 8,991	$ 16,920	$ 29,768	$ 44,955
Less: Income Tax @ 35.0%		(748)	(3,147)	(5,922)	(10,419)	(15,734)
After-Tax Underwriting Cash Flow		$ 1,388	$ 5,844	$ 10,998	$ 19,349	$ 29,221
Discount Period	0.25	0.75	1.75	2.75	3.75	4.75
Discount Factor @ 14.5%	0.97	0.90	0.79	0.69	0.60	0.53
PV of Underwriting Cash Flow	**$ -**	**$ 1,254**	**$ 4,611**	**$ 7,579**	**$ 11,645**	**$ 15,359**

Valuation Summary	
PV of 2008 After-Tax Underwriting Cash Flow	$ 29,221
Capitalization Rate (r - g)	11.0%
Terminal Value	$265,645
Discount Period	4.75
PV of Terminal Value	$139,629
Sum of PV of Underwriting Cash Flow	$ 40,448
Surplus at December 31, 2003 (Statutory)	$244,831
GAAP to Statutory Conversion	85.5%
Surplus at December 31, 2003 (GAAP)	$286,236
Discount Period	0.25
Discount Factor @ 14.5%	0.97
PV of Surplus at January 1, 2004	$276,709
Equity Value (Underwriting Cash Flow + Terminal Value + Surplus)	**$456,786**

Valuation Summary

Status Quo Operations Scenario
Mutual Scenario
Stock Scenario
Sale Scenario
Valuation of Subsidiaries

Valuation of Subsidiaries

Concluded Equity Value – Univantage, WorkComp, and Pinnacle

	Control Equity Value Range	Add: Premium (Discount)	Minority Equity Value Range	Add: Marketability Discount [6]	Minority Equity Value Range
Univantage [1]	$ 1,800	(235) [4]	$ 1,565	(313) - (391)	$ 1,252 - $ 1,174
Advantage WorkComp [2]	$ 600	(78) [4]	$ 522	(104) - (130)	$ 417 - $ 391
Pinnacle Risk Management Services [3]	$ 1,840 - $ 2,530	(240) - (330) [5]	$ 1,600 - $ 2,200	(320) - (550)	$ 1,280 - $ 1,650
Concluded Value for Univantage, Advantage WorkComp and Pinnacle (rounded)	**$ 4,200 - $ 4,900**		**$ 3,700 - $ 4,300**		**$ 2,900 - $ 3,200**

(1) Based on statutory book value as of 3-31-2003.
(2) Based on GAAP book value as of 4-30-2003.
(3) Fair market value conclusion has been adjusted for the Company's 95% ownership.
(4) Reflects a lack of control discount of 13.0%
(5) Reflects control premium of 15.0%
(6) Reflects a marketability discount range of 20% to 25%.

Valuation of Subsidiaries

ADVANTAGE WORKCOMP VALUATION SUMMARY

(dollars in thousands)

	Concluded Control Equity Value
Book Value as of 4-30-2003	$ 600
Concluded Control Equity Value (rounded)	**$ 600**

Valuation of Subsidiaries

UNIVANTAGE VALUATION SUMMARY

(dollars in thousands)

	Statutory Book Value	Estimated GAAP to Statutory Conversion Factor	Concluded Control Equity Value
As of 3-31-2003	$ 1,511	85.5%	$ 1,767
Concluded Control Equity Value (rounded)			**$ 1,800**

Valuation of Subsidiaries

Pinnacle – Valuation Summary

(dollars in thousands)

Equity Value Indication from Operations

Market Approach	Low		High
Market Multiple Methodology	$1.500	--	$2.200
Comparable Transaction Methodology (1)	$1.900	--	$2.500

Results Summary

Equity Value from Operations	**$1.700**	**--**	**$2.400**
Nonoperating Assets/Liabilities:			
Add: Cash and Cash Equivalents Balance as of 04/30/03	$0.082	--	$0.082
Add: Nonoperating Assets	0.000	--	0.000
Less: Nonoperating Liabilities	0.000	--	0.000
Total Nonoperating Assets/Liabilities	$0.082	--	$0.082
Concluded Equity Value Range 100% Ownership	**$1.782**	**--**	**$2.482**
Concluded Equity Value Range 95% Ownership	**$1.700**	**--**	**$2.400**

Footnotes:

(1) Reflects a discount for lack of marketability @ 13%, which is equivalent to a control premium of 15.0%

Valuation of Subsidiaries

Pinnacle – Adjusted Financial Statements

(dollars in thousands)

	3-Year Average (FY 2000 - 2002)	Fiscal Year Ended December 31, 2000	2001	2002	LTM Ended 4/30/03
Reported Revenue	**$13.503**	**$11.519**	**$14.161**	**$14.829**	**$15.567**
Less: Cost of Goods Sold		0.000	0.000	0.000	0.000
Gross Profit		$11.519	$14.161	$14.829	$15.567
Less: Compensation and Employee Benefits		7.073	9.769	11.383	12.416
Less: Office Expense		0.811	0.832	0.859	0.962
Less: Rent and Lease Expense		0.842	1.054	1.207	1.214
Less: Outside Services		0.613	0.049	0.053	0.069
Less: Other Expenses		1.556	1.829	6.332	6.273
Add: Depreciation and Amortization		0.664	0.730	0.441	0.441
Add: Adjustments (1)		0.000	0.000	0.000	0.000
Adjusted EBITDA	**($0.640)**	**$1.286**	**$1.356**	**($4.564)**	**($4.926)**
Less: Depreciation and Amortization		0.664	0.730	0.441	0.441
Adjusted EBIT	**($1.252)**	**$0.623**	**$0.627**	**($5.005)**	**($5.367)**
Less: Interest Expense, net		0.150	0.137	0.151	0.168
Adjusted Pre-tax Income		$0.473	$0.490	($5.156)	($5.535)
Less: Taxes @ 40.0%		0.189	0.196	(2.062)	(2.214)
Adjusted Net Income	**($0.839)**	**$0.284**	**$0.294**	**($3.094)**	**($3.321)**
Add: Depreciation and Amortization		0.664	0.730	0.441	0.441
Adjusted Cash Flow	**($0.227)**	**$0.948**	**$1.024**	**($2.653)**	**($2.880)**
Net Book Value (tangible)	**($2.680)**	**($2.805)**	**($2.197)**	**($3.038)**	**($3.433)**
Total Assets (2)	**$7.588**	**$7.484**	**$9.955**	**$5.324**	**$5.611**

Footnotes:

(1) Adjustments:

	2000	2001	2002	LTM
Goodwill Impairment	$0.000	$0.000	$0.000	$0.000
Other Adjustments	0.000	0.000	0.000	0.000
Total Adjustments	**$0.000**	**$0.000**	**$0.000**	**$0.000**

(2) Net of Cash & Cash Equivalents.

Valuation of Subsidiaries

Pinnacle – Valuation Summary Based on the Market Multiple Approach

(dollars in thousands)

LTM	Representative Level (Rounded)	Selected Price / Revenue Multiple Range			Indicated Equity Value Range		
Revenues	$15.600	0.10 x	--	0.15 x	$1.560	--	$2.340
% of Median		*16.8%*		*25.2%*			
3-Year Average							
Revenues	$13.500	0.10 x	--	0.15 x	$1.350	--	$2.030
% of Median		*15.5%*		*23.3%*			
Mean					$1.455	--	$2.185
Selected Equity Value Range, on a Minority Interest Basis (Rounded)					**$1.500**	**--**	**$2.200**

Valuation of Subsidiaries

PINNACLE – MARKET MULTIPLES

(dollars in millions)

		Price / Earnings		
	MVE	**3-YR Avg.**	**FYE**	**LTM**
FPIC Insurance Group Inc	$105.099	17.1x	7.1x	7.1x
NDCHealth Corporation	745.215	36.3x	49.3x	46.5x
Trover Solutions Inc	50.402	8.7x	7.4x	7.6x
United Medicorp Inc	0.799	5.9x	3.0x	3.4x
HMS Holdings Corp	48.931	*NMF*	*NMF*	*NMF*
Low		5.9x	3.0x	3.4x
High		17.1x	7.4x	7.6x
Median		8.7x	7.1x	7.1x
Mean		10.5x	5.8x	6.0x

		Price / Cash Flow		
	MVE	**3-YR Avg.**	**FYE**	**LTM**
FPIC Insurance Group Inc	$105.099	6.2x	4.6x	5.1x
NDCHealth Corporation	745.215	14.6x	18.9x	16.6x
Trover Solutions Inc	50.402	4.2x	4.2x	4.3x
United Medicorp Inc	0.799	3.4x	2.3x	2.5x
HMS Holdings Corp	48.931	*NMF*	31.7x	26.3x
Low		3.4x	2.3x	2.5x
High		6.2x	31.7x	26.3x
Median		4.2x	4.4x	4.7x
Mean		4.6x	10.7x	9.6x

		Price / Net Book Value		
	MVE	**3-YR Avg.**	**FYE**	**LTM**
FPIC Insurance Group Inc	$105.099	0.84x	0.72x	0.71x
NDCHealth Corporation	745.215	*NMF*	*NMF*	*NMF*
Trover Solutions Inc	50.402	6.35x	4.80x	4.47x
United Medicorp Inc	0.799	*NMF*	3.04x	2.29x
HMS Holdings Corp	48.931	1.05x	1.16x	1.17x
Low		0.84x	0.72x	0.71x
High		6.35x	4.80x	4.47x
Median		1.05x	2.10x	1.73x
Mean		2.75x	2.43x	2.16x

		Price / Revenue		
	MVE	**3-YR Avg.**	**FYE**	**LTM**
FPIC Insurance Group Inc	$105.099	0.53x	0.48x	0.50x
NDCHealth Corporation	745.215	2.16x	2.11x	1.82x
Trover Solutions Inc	50.402	0.77x	0.73x	0.74x
United Medicorp Inc	0.799	0.28x	0.23x	0.23x
HMS Holdings Corp	48.931	0.76x	0.71x	0.70x
Low		0.28x	0.23x	0.23x
High		0.77x	0.73x	0.74x
Median		0.64x	0.59x	0.60x
Mean		0.58x	0.54x	0.54x

Valuation of Subsidiaries

Pinnacle – Risk Rankings

Size (Revenue, millions)	
NDCHealth Corporation	$408.9
FPIC Insurance Group Inc	$210.8
HMS Holdings Corp	$69.5
Trover Solutions Inc	$68.4
Pinnacle Risk Management Services, Inc	**$15.6**
United Medicorp Inc	$3.5

Size (Enterprise Value, millions)	
NDCHealth Corporation	$990.6
FPIC Insurance Group Inc	$63.5
Trover Solutions Inc	$33.3
HMS Holdings Corp	$24.1
United Medicorp Inc	$0.9

Historical Growth (2-Year Revenue)	
United Medicorp Inc	22.3%
Pinnacle Risk Management Services, Inc	**13.5%**
FPIC Insurance Group Inc	10.1%
Trover Solutions Inc	4.5%
HMS Holdings Corp	2.9%
NDCHealth Corporation	1.1%

Historical Growth (1-Year Revenue)	
United Medicorp Inc	23.4%
HMS Holdings Corp	16.8%
FPIC Insurance Group Inc	11.8%
Trover Solutions Inc	8.3%
NDCHealth Corporation	4.8%
Pinnacle Risk Management Services, Inc	**4.7%**

Profitability (Net Income Margin)	
Trover Solutions Inc	9.7%
FPIC Insurance Group Inc	7.0%
United Medicorp Inc	6.7%
NDCHealth Corporation	3.9%
HMS Holdings Corp	-1.1%
Pinnacle Risk Management Services, Inc	**-20.9%**

Profitability (ROA)	
United Medicorp Inc	26.4%
Trover Solutions Inc	9.1%
NDCHealth Corporation	2.4%
FPIC Insurance Group Inc	1.6%
HMS Holdings Corp	-1.3%
Pinnacle Risk Management Services, Inc	**-58.1%**

Profitability (ROE)	
Pinnacle Risk Management Services, Inc	*NMF*
United Medicorp Inc	101.5%
Trover Solutions Inc	15.2%
FPIC Insurance Group Inc	9.4%
NDCHealth Corporation	1.5%
HMS Holdings Corp	-4.7%

Leverage (Debt to EV)	
FPIC Insurance Group Inc	72.1%
NDCHealth Corporation	33.8%
United Medicorp Inc	20.3%
Trover Solutions Inc	12.0%
HMS Holdings Corp	0.0%

Profitability (3-Year Average) (Net Income Margin)	
Trover Solutions Inc	8.8%
NDCHealth Corporation	6.0%
United Medicorp Inc	4.0%
FPIC Insurance Group Inc	2.9%
HMS Holdings Corp	-7.4%
Pinnacle Risk Management Services, Inc	**-31.6%**

Profitability (3-Year Average) (ROA)	
United Medicorp Inc	16.7%
Trover Solutions Inc	7.7%
NDCHealth Corporation	3.5%
FPIC Insurance Group Inc	0.6%
HMS Holdings Corp	-6.9%
Pinnacle Risk Management Services, Inc	**-17.1%**

Profitability (3-Year Average) (ROE)	
Pinnacle Risk Management Services, Inc	*NMF*
United Medicorp Inc	*NMF*
Trover Solutions Inc	14.0%
NDCHealth Corporation	7.8%
FPIC Insurance Group Inc	3.7%
HMS Holdings Corp	-8.9%

Liquidity (Current Ratio)	
FPIC Insurance Group Inc	3.8
HMS Holdings Corp	3.6
NDCHealth Corporation	2.0
Trover Solutions Inc	1.4
United Medicorp Inc	1.4
Pinnacle Risk Management Services, Inc	**0.2**

Valuation of Subsidiaries

Pinnacle – Comparable Company Market Analysis

(dollars in millions, except per-share amounts)

	FPIC Insurance Group Inc	NDCHealth Corporation	Trover Solutions Inc	United Medicorp Inc	HMS Holdings Corp
General Market Information					
Ticker Symbol	fpic	ndc	trov	umci	hmsy
Exchange	NASDAQ	NYSE	NASDAQ	OTC	NASDAQ
Fiscal Year End	12/2002	05/2002	12/2002	12/2002	12/2002
Latest Financial Information	03/2003	02/2003	03/2003	03/2003	03/2003
Closing Price as of Valuation Date	$11.15	$20.48	$5.81	$0.03	$2.68
20-Day Average Stock Price	$11.17	$19.69	$5.72	$0.02	$2.86
52 Week Price Range					
High	$16.00	$32.55	$6.27	$0.08	$4.03
Low	$3.50	$10.90	$3.76	$0.01	$1.97
52 Week Return	-24.6%	-36.3%	12.6%	-12.1%	-20.5%
Market Valuation Information					
Fully Diluted Shares	9.426	36.387	8.675	31.317	18.258
Closing Price as of Valuation Date	$11.15	$20.48	$5.81	$0.03	$2.68
Market Value of Equity (MVE)	$105.099	$745.215	$50.402	$0.799	$48.931
plus: Total Debt (book)	45.750	335.103	4.000	0.176	0.000
less: Converted Debt	0.000	0.000	0.000	0.000	0.000
plus: Preferred Stock Redemption/Market/Liq. Value	0.000	0.000	0.000	0.000	0.000
less: Converted Preferred	0.000	0.000	0.000	0.000	0.000
less: Cash & Cash Equivalents (book)	87.398	112.138	21.077	0.109	24.840
plus: Minority Interest in Subsidiaries	0.000	22.463	0.000	0.000	0.000
Enterprise Value	$63.451	$990.643	$33.325	$0.866	$24.091

Valuation of Subsidiaries

Pinnacle – Valuation Summary Based on the Comparable Transactions Approach

(dollars in millions)

LTM	Representative Level	Selected Multiple Range			Indicated Equity Value Range		
Revenues	$15.600	0.15 x	--	0.20 x	$2.340	--	$3.120
3-Year Average							
Revenues	$13.500	0.15 x	--	0.20 x	$2.030	--	$2.700
Mean					$2.185	--	$2.910
Selected Equity Value Range, on a Controlling Interest Basis					**$2.200**	--	**$2.900**
Less: Minority Interest Discount @ 13.0% (1)					(0.287)	--	(0.378)
Aggregate Equity Value of Minority Interest, as if Marketable (Rounded)					**$1.900**	**--**	**$2.500**

Valuation of Subsidiaries

Pinnacle – Comparable Transactions

Announced	Effective	Target	Target Industry Segment	Acquiror	Price/ Revenue	Price/ Earnings	Price/ Book Valu
2/21/03		Coast Dental Services Inc	Provides administrative services, including billing, collection, and information technology to dental offices	Private Group Led by Management of Coast Dental Se	0.17x		0.28x
1/6/03	3/14/03	ProBusiness Services Inc	Provides employee administrative services for large employers, typically with over 250 employees	Automatic Data Processing Inc	2.89x	(24.03x)	4.21x
4/1/02	4/1/02	Cobalt Corp	Provides behavioral health, medical and workers compensation consulting, care management and administrative services	APS Healthcare Inc			191.49x
6/19/01	8/30/01	DBS Management Plc	Provides financial planning and administrative services relating to pensions, life assurance and unit trusts.	Misys PLC	0.38x	21.01x	3.73x
3/30/00	5/31/00	Royal Bank of Scotland Group PLC	Provides group management and administrative services	Nationwide Financial Services Inc	24.20x	95.93x	64.03x
9/17/99	10/26/99	Tricom Inc	Provides short-term accounts receivable financing and value-added outsourced administrative services	Wintrust Financial Corp		5.67x	(5.16x)
6/1/98	6/1/98	Hampson Industries PLC	Provides administrative services	Rjt 242 Ltd	7.46x	7.69x	5.26x
10/1/97	10/1/97	Prometrics Group Ltd	Provision of administrative services and financial support to its subsidairy	Platinum Technology Inc		140.00x	2.03x
4/1/97	4/1/97	Marlborough Underwriting Agency	Administrative services to insurance underwriters	Commercial Union Plc	1.03x	5.74x	5.21x
12/21/93	4/18/94	Hazlehurst & Associates Inc	Administrative services consultants	Northern Trust Corp	1.45x		

	Price/ Revenue	Price/ Earnings	Price/ Book Value
Low	0.17 x	5.7 x	0.28 x
High	2.89 x	21.0 x	5.26 x
Median	1.03 x	6.7 x	4.21 x
Mean	1.19 x	10.0 x	3.74 x

Valuation of Subsidiaries

Advantage WorkComp – Balance Sheet

(dollars in thousands)

	4/30/03	12/31/02	12/31/01
Assets			
Cash & Short-Term Investments	$ 460	$ 418	$ 317
A/R	244	190	168
Intercompany A/R	(36)	(17)	(48)
Total Current Assets	668	592	436
PPE	39	42	23
Goodwill	-	-	38
Total Assets	**$ 707**	**$ 634**	**$ 498**
Liabilities			
A/P	$ 50	$ 77	$ 31
Accrued Liabilities	54	44	14
Total Current Liabilities	104	121	45
Equity	**$ 603**	**$ 513**	**$ 453**
Total Liabilities & Surplus	**$ 707**	**$ 634**	**$ 498**
Representative Book Value (rounded)	**$ 600**	**$ 500**	**$ 500**

Financial information based on draft financial statements provided by management. Financial information is presented on a GAAP accounting basis.

Valuation of Subsidiaries

Univantage – Statutory Balance Sheet

(dollars in thousands)

	As of December 31,					
Assets	1998	1999	2000	2001	2002	3/31/03
Bonds	$ 999	$ 1,251	$ 1,256	$ 1,318	$ 1,311	$ 1,310
Common Stocks	-	-	-	-	-	-
Preferred Stocks	-	-	-	-	-	-
Mortgage Loans on Real Estate	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-
Cash & Short-term Investments	-	-	-	117	169	188
Cash and Cash Equivalents	301	98	136	-	-	-
Other Invested Assets	-	-	-	-	-	-
Cash and Invested Assets	1,301	1,349	1,392	1,435	1,480	1,498
Accounts Receivable, Net	6	2	7	-	-	-
Receivable from Subsidiaries	-	-	-	-	-	-
Deferred Premium Tax Asset	-	-	-	-	-	-
Data Processing Equipment	-	-	-	-	-	-
Accrued Investment Income	20	21	21	24	24	22
Other Admitted Assets	-	-	-	-	-	-
Total Admitted Assets	**$ 1,326**	**$ 1,372**	**$ 1,420**	**$ 1,459**	**$ 1,504**	**$ 1,520**
Liabilities						
Reserve for Losses	$ -	$ -	$ -	$ -	$ -	$ -
Reserve for Loss Adjustment Expenses	-	-	-	-	-	-
Total Reserves	-	-	-	-	-	-
Amount Held for Others	-	-	-	-	-	-
Unearned Premiums	-	-	-	-	-	-
Dividends Payable	-	-	-	-	-	-
Taxes, Licenses & Fees Payable	-	-	(1)	4	1	1
Accouts Payable and Accrued Expenses	12	5	4	1	-	-
Other Liabilities	62	46	29	14	4	8
Total Liabilities	**$ 74**	**$ 51**	**$ 32**	**$ 19**	**$ 4**	**$ 9**
Policyholders' Surplus	**$ 1,252**	**$ 1,321**	**$ 1,388**	**$ 1,440**	**$ 1,500**	**$ 1,511**
Total Liabilities & Surplus	**$ 1,326**	**$ 1,372**	**$ 1,420**	**$ 1,459**	**$ 1,504**	**$ 1,520**

Financial information based on draft financial statetments provided by management. Finacial information is presented on a statutory accounting basis.

Valuation of Subsidiaries

UNIVANTAGE – STATUTORY INCOME STATEMENT

(dollars in millions)

	Fiscal Year Ended December 31,					
Revenue	1998	1999	2000	2001	2002	LTM 3/31/2003
Net Investment Income	$ 194	$ 78	$ 85	$ 80	$ 70	$ 69
Amortization of Interest Maintenance Reserve	(0)	16	17	15	10	9
Total Revenue	194	94	102	95	80	77
Expenses						
General Insurance Expenses	$ 16	$ 9	$ 22	$ 17	$ 16	$ 14
Insurance Taxes	12	4	4	6	5	5
Total Expenses	28	13	26	23	21	19
Operating Income	165	81	76	72	59	58
Dividends	-	-	-	-	-	-
Taxes	44	13	9	20	(0)	(2)
Net Income	**$ 122**	**$ 68**	**$ 67**	**$ 52**	**$ 60**	**$ 60**

Financial information based on draft financial statetments provided by management. Finacial information is presented on a statutory accounting basis.

Valuation of Subsidiaries

Pinnacle – Balance Sheet

(dollars in millions)

	As of December 31,			
Assets	**2000**	**2001**	**2002**	**04/30/03**
Current Assets:				
Cash & Equivalents	$0.380	$0.219	$0.104	$0.082
Accounts Receivable	0.663	0.917	0.177	0.521
Deferred Tax Assets	0.043	0.064	0.000	0.000
Other Current Assets	0.064	0.051	0.136	0.102
Total Current Assets	1.151	1.251	0.417	0.705
Net Fixed Assets	0.676	1.049	1.262	1.170
Intangible Assets	5.954	7.774	3.642	3.642
Other Assets	0.083	0.100	0.107	0.177
Total Assets	$7.864	$10.174	$5.428	$5.693
Liabilities & Stockholders' Equity				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	$0.849	$0.730	$0.523	$0.577
Current Maturities	0.560	1.386	1.952	1.780
Unearned Revenue	0.380	0.392	0.542	1.321
Other Current Liabilities	0.000	0.000	0.054	0.054
Total Current Liabilities	1.789	2.508	3.070	3.731
Long-Term Debt	$1.680	$1.120	$0.023	$0.023
Contingent Note Payable	1.220	0.915	1.730	1.730
Deferred Taxes	0.025	0.054	0.000	0.000
Total Liabilities	4.714	4.597	4.823	5.484
Stockholders' Equity:				
Common Stock	0.010	0.010	0.010	0.010
Paid-in Capital	3.010	5.280	5.280	5.280
Retained Earnings	0.129	0.287	(4.686)	(5.081)
Less: Treasury Stock	0.000	0.000	0.000	0.000
Net Stockholders' Equity	3.149	5.577	0.605	0.209
Total Liabilities & Stockholders' Equity	$7.864	$10.174	$5.428	$5.693
Working Capital				
Net	($0.458)	($0.090)	($0.805)	($1.329)
Total	($0.639)	($1.257)	($2.653)	($3.027)

Valuation of Subsidiaries

Pinnacle – Income Statement

(dollars in millions)

		Fiscal Year Ended December 31,			LTM Ended
		2000	2001	2002	4/30/03
Revenues, Net		$11.519	$14.161	$14.829	$15.567
Operating Expenses:					
Compensation and Employee Benefits	3.794	7.073	9.769	11.383	12.416
Office Expense	0.286	0.811	0.832	0.859	0.962
Rent and Lease Expense	0.402	0.842	1.054	1.207	1.214
Outside Services	0.018	0.613	0.049	0.053	0.069
Depreciation and Amortization	1.524	0.664	0.730	4.573	4.622
Other General and Administrative	0.586	0.893	1.100	1.759	1.650
Total Operating Expenses		10.896	13.534	19.834	20.934
Operating Income		0.623	0.627	(5.005)	(5.367)
Interest Expense		0.173	0.149	0.151	0.168
Interest (Income)		(0.023)	(0.012)	0.000	0.000
Other Expenses (Income)		(0.048)	(0.006)	(0.184)	(0.182)
Nonrecurring Loss (Gain)		0.000	0.000	0.000	0.000
Pretax Income (Loss)		0.522	0.496	(4.972)	(5.353)
Income Taxes (Credit)		0.238	0.338	0.000	0.000
Minority Interest		0.000	0.000	0.000	0.000
Net Income (Loss), Continuing Operations		0.284	0.158	(4.972)	(5.353)
Extraordinary Gains (Loss)		0.000	0.000	0.000	0.000
Net Income (Loss)		$0.284	$0.158	($4.972)	($5.353)
Depreciation/Amortization		$0.664	$0.730	$0.441	$0.441
Capital Expenditures		$0.470	$0.658	NA	NA

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WCF Financial Statements

Balance Sheet- Statutory Basis

(dollars in thousands)

Assets	1998	1999	2000	2001	2002	03/31/03
Bonds	$ 591,977	$ 531,739	$ 544,707	$ 592,594	$ 631,979	$ 632,346
Common Stocks	81,609	134,339	98,656	104,806	98,162	96,198
Preferred Stocks	-	-	-	-	5,000	5,000
Mortgage Loans on Real Estate	-	-	-	2,391	2,875	4,296
Real Estate	12,032	23,106	29,425	31,700	30,492	6,784
Cash & Short-term Investments	18,951	25,486	55,504	19,968	30,390	23,476
Other Invested Assets	-	1,443	2,000	3,000	-	50,093
Cash and Invested Assets	704,569	716,113	730,292	754,459	798,898	818,193
Accounts Receivable, Net	3,405	8,804	9,133	10,363	9,658	9,923
Receivable from Subsidiaries	398	121	213	1,022	2,456	2,506
Deferred Premium Tax Asset	-	-	-	4,033	3,641	196
Data Processing Equipment	1,387	923	874	613	399	360
Accrued Investment Income	11,359	10,465	11,220	11,530	11,779	10,450
Other Admitted Assets	2,284	2,203	2,202	2,190	2,362	5,701
Total Admitted Assets	**$ 723,403**	**$ 738,629**	**$ 753,934**	**$ 784,210**	**$ 829,194**	**$ 847,329**
Liabilities						
Reserve for Losses	$ 381,595	$ 381,200	$ 395,381	$ 429,192	$ 487,144	$ 498,428
Reserve for Loss Adjustment Expenses	58,656	57,866	58,101	60,611	61,814	61,965
Total Reserves	440,251	439,065	453,482	489,804	548,958	560,393
Amount Held for Others	15,371	9,120	2,074	1,658	496	473
Unearned Premiums	11,030	17,200	24,317	28,772	41,390	42,424
Net Premiums Payable	-	-	-	63	-	1,957
Dividends Payable	-	4,073	1,224	3,458	1,004	484
Taxes, Licenses & Fees Payable	3,028	3,125	3,264	5,341	5,999	6,556
Accounts Payable and Accrued Expenses	5,492	7,716	10,858	7,862	9,635	8,052
Other Liabilities	2,052	2,019	1,987	1,947	1,896	1,880
Total Liabilities	**$ 477,225**	**$ 482,319**	**$ 497,207**	**$ 538,904**	**$ 609,377**	**$ 622,219**
Policyholders' Surplus	**$ 246,178**	**$ 256,310**	**$ 256,726**	**$ 245,307**	**$ 219,817**	**$ 225,110**
Total Liabilities & Surplus	**$ 723,403**	**$ 738,629**	**$ 753,934**	**$ 784,210**	**$ 829,194**	**$ 847,329**

Financial information based on draft financial statements provided by management. Financial information is presented on a statutory accounting basis.

WCF Financial Statements

Balance Sheet – Statutory to GAAP Basis

(dollars in thousands)

Assets	1998	1999	2000	2001	2002
Bonds	$ 627,486	$ 530,158	$ 572,068	$ 633,719	$ 699,133
Common Stocks	81,609	134,339	98,656	104,806	98,162
Preferred Stocks	-	-	-	-	5,238
Mortgage Loans on Real Estate	-	-	-	2,391	2,937
Real Estate	12,032	23,106	29,425	35,292	34,112
Cash & Short-term Investments	18,951	25,486	55,504	19,968	30,390
Other Invested Assets	(236)	1,813	4,278	4,110	4,397
Cash and Invested Assets	739,842	714,902	759,931	800,285	874,369
Accounts Receivable, Net	3,511	9,065	9,667	10,374	9,658
Receivable from Subsidiaries	398	121	213	1,022	2,456
Deferred Premium Tax Asset	-	-	-	4,033	3,641
Data Processing Equipment	1,753	1,277	1,633	3,807	2,178
Accrued Investment Income	11,359	10,465	11,220	11,530	11,779
Other Admitted Assets	5,123	5,570	5,866	6,239	4,270
Total Admitted Assets	**$ 761,988**	**$ 741,398**	**$ 788,530**	**$ 837,291**	**$ 908,351**
Liabilities					
Reserve for Losses	$ 381,595	$ 381,200	$ 395,381	$ 429,192	$ 487,144
Reserve for Loss Adjustment Expenses	58,656	57,866	58,101	60,611	61,814
Total Reserves	440,251	439,065	453,482	489,804	548,958
Amount Held for Others	15,371	9,120	2,074	1,658	496
Unearned Premiums	11,030	17,200	24,317	28,772	41,390
Net Premiums Payable	-	-	-	63	-
Dividends Payable	-	4,073	1,224	3,458	1,004
Taxes, Licenses & Fees Payable	3,028	3,125	3,264	5,341	5,999
Accounts Payable and Accrued Expenses	5,492	7,716	10,858	7,862	9,635
Other Liabilities	2,052	2,019	1,987	1,947	1,896
Total Liabilities	**$ 477,225**	**$ 482,319**	**$ 497,207**	**$ 538,904**	**$ 609,377**
Policyholders' Surplus	**$ 284,763**	**$ 259,079**	**$ 291,322**	**$ 298,388**	**$ 298,974**
Total Liabilities & Surplus	**$ 761,988**	**$ 741,398**	**$ 788,530**	**$ 837,291**	**$ 908,351**

Financial information based on draft financial statements provided by management. Financial information is presented on a statutory accounting basis.

WCF Financial Statements

Balance Sheet – GASB GAAP Basis

(dollars in thousands)

Assets	1998	1999	2000	2001	2002
Cash & Short-term Investments	$ 8,519	$ 25,534	$ 55,786	$ 20,620	$ 31,081
Debt Securities, at fair market value	639,346	531,896	573,867	635,097	700,505
Common Stock, at fair market value	74,936	129,536	94,684	102,241	95,191
Preferred Stock, at fair market value	-	-	-	-	5,238
Mortgage Loan on Real Estate	-	-	-	2,391	2,937
Real Estate	4,870	15,700	22,183	28,283	27,351
Total Invested Assets	727,671	702,666	746,520	788,632	862,303
Accrued Investment Income	11,379	10,486	11,374	11,554	11,803
Accounts Receivable, Net	5,823	8,712	9,689	10,814	10,523
Prepaid Expenses	-	-	-	806	1,271
Property and Equipment, net	10,047	9,975	10,373	12,435	10,854
Reinsurance Recoverable	22,876	30,922	31,540	29,977	20,290
Note Receivable	-	3,500	3,690	-	-
Deferred Acquisition Costs	-	-	-	3,708	5,107
Other Assets	2,139	3,013	1,055	2,378	2,275
Deferred Premium Tax Asset	-	-	-	4,033	3,641
Goodwill, net	6,535	11,455	10,655	11,853	7,360
Total Assets	**$ 786,470**	**$ 780,729**	**$ 824,896**	**$ 876,190**	**$ 935,427**
Liabilities					
Total Reserves	463,127	469,987	485,022	519,780	569,248
Accounts Payable and Accrued Expenses	14,296	18,153	20,328	9,234	11,813
Unearned Premiums	11,067	16,122	23,621	26,995	41,682
Policyholder Dividends	26,147	10,024	6,624	5,975	3,754
Premium Taxes Payable	-	-	-	3,039	2,014
Current Portion of Long-Term Debt	-	-	-	865	865
Other Liabilities	12,009	7,191	188	1,947	1,896
Guaranty Fund Assessment Payable	-	-	-	2,072	2,072
Long-Term Debt	-	-	-	1,730	865
Total Liabilities	**$ 526,646**	**$ 521,477**	**$ 535,783**	**$ 571,637**	**$ 634,209**
Minority Interests	(98)	480	845	116	45
Policyholders' Surplus	**$ 259,922**	**$ 258,772**	**$ 288,268**	**$ 304,437**	**$ 301,173**
Total Liabilities & Surplus	**$ 786,470**	**$ 780,729**	**$ 824,896**	**$ 876,190**	**$ 935,427**

Financial information based on draft financial statements provided by management. Financial information is presented on a GAAP accounting basis according to GASB standards.

WCF Financial Statements

Income Statement – Statutory Basis

(dollars in thousands)

	1998	1999	2000	20001	2002	LTM 03/31/03
Gross Premium Written	$ 99,894	$ 102,016	$ 120,295	$ 151,608	$ 204,463	NA
Net Premium Written	$ 91,994	$ 94,062	$ 118,488	$ 148,363	$ 194,992	NA
Underwriting Income						
Net Premiums Earned	$ 88,785	$ 89,439	$ 114,111	$ 138,673	$ 185,337	$ 199,715
Deductions						
Losses Incurred	43,202	60,085	87,324	116,070	153,497	161,618
Loss Expense Incurred	17,211	14,850	18,790	19,844	18,910	18,077
Other Underwriting Expenses	30,302	31,650	36,731	36,963	51,449	53,771
Net Underwriting Gain/(Loss)	(1,930)	(17,146)	(28,734)	(34,204)	(38,520)	(33,750)
Net Underwriting Gain/(Loss) Margin	*-2.2%*	*-19.2%*	*-25.2%*	*-24.7%*	*-20.8%*	*-16.9%*
Investment Income						
Net Investment Income Earned	43,024	40,643	39,746	43,830	43,534	44,096
Net Realized Capital Gains/(Losses)	(1,502)	3,863	9,701	925	(25,896)	(26,793)
Net Investment Gain/(Loss)	41,521	44,505	49,446	44,755	17,638	17,303
Net Investment Gain/(Loss) Margin	*46.8%*	*49.8%*	*43.3%*	*32.3%*	*9.5%*	*8.7%*
Other Income						
Net Gain/(Loss) Charge Offs	-	-	(325)	(135)	(2,356)	(2,214)
Aggregate Write-ins	(68)	(14)	77	0	68	101
Dividends to Policyholders	(39,800)	(25,500)	(5,951)	(8,000)	(2,442)	(2,442)
Pre-Tax Income After Dividends	(277)	1,845	14,514	2,417	(25,611)	(21,001)
Federal Income Taxes	158	-	-	-	238	287
Net Income	**$ (435)**	**$ 1,845**	**$ 14,514**	**$ 2,417**	**$ (25,849)**	**$ (21,288)**
Net Income Margin	*-0.5%*	*2.1%*	*12.7%*	*1.7%*	*-13.9%*	*-10.7%*

Financial information based on draft financial statements provided by management. Financial information is presented on a statutory accounting basis.

WCF Financial Statements

INCOME STATEMENT – GASB GAAP BASIS

(dollars in thousands)

	1998	1999	2000	2001	2002
Gross Premium Written	$ -	$ -	$ -	$ -	$ -
Net Premium Written	$ -	$ -	$ -	$ -	$ -
Revenues					
Net Premiums Earned	$ 88,785	$ 89,439	$ 114,111	$ 140,804	$ 183,130
Net Investment Income	43,740	41,496	40,362	43,340	43,210
Net Change in Fair Value of Investments	17,608	(20,767)	24,981	6,324	(930)
Administrative Service Income	2,719	5,613	13,223	17,255	17,309
Other	(41)	(54)	106	-	59
Total Revenues	$ 152,811	$ 115,727	$ 192,783	$ 207,723	$ 242,778
Revenue Growth	*NA*	*-24.3%*	*66.6%*	*7.7%*	*16.9%*
Expenses					
Losses and LAE	60,414	75,654	106,149	135,913	172,407
Policyholder Dividend	25,450	5,303	5,400	5,117	2,675
Premium Tax	9,111	8,474	11,747	7,972	16,378
Goodwill Impairment	-	-	-	-	4,132
Other Operating Expenses	24,080	27,330	40,244	42,538	50,336
Total Operating Expenses	$ 119,055	$ 116,761	$ 163,540	$ 191,540	$ 245,928
Operating Margin	*77.9%*	*100.9%*	*84.8%*	*92.2%*	*101.3%*
Pre-Tax Income	33,756	(1,034)	29,243	16,183	(3,150)
Minority Interest	175	(116)	253	(14)	248
Federal Income Taxes	-	-	-	-	-
Net Income	**$ 33,931**	**$ (1,150)**	**$ 29,496**	**$ 16,169**	**$ (2,902)**
Net Income Margin	*22.2%*	*-1.0%*	*15.3%*	*7.8%*	*-1.2%*

Financial information based on draft financial statements provided by management. FinaNcial information is presented on a GAAP accounting basis according to GASB standards.

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WCF Adjusted Financial Statements

Reserve Adjustments

(dollars in millions)

	Gross Reserves				
	12/31/98	12/31/99	12/31/00	12/31/01	12/31/02
WCF selected	$ 463.1	$ 470.0	$ 485.0	$ 519.8	$ 569.3
Tillinghast Midpoint	$ 405.9	$ 436.4	$ 465.0	$ 502.3	$ 553.9
Over-reserved / (Under-reserved)	$ 57.2	$ 33.6	$ 20.0	$ 17.5	$ 15.4

Adjustment to Reserves	FYE	3 - Year Average Adjustment			5 - Year Average Adjustment				
	12/31/02	12/31/00	12/31/01	12/31/02	12/31/98	12/31/99	12/31/00	12/31/01	12/31/02
WCF Actual	$ 569.3	$ 485.0	$ 519.8	$ 569.3	$ 463.1	$ 470.0	$ 485.0	$ 519.8	$ 569.3
$ Change Increase/(Decrease)	*NA*	*NA*	34.8	49.5	*NA*	6.9	15.0	34.8	49.5
Tillinghast - Midpoint	$ 553.9	$ 465.0	$ 502.3	$ 553.9	$ 405.9	$ 436.4	$ 465.0	$ 502.3	$ 553.9
$ Change Increase/(Decrease)	*NA*	*NA*	37.2	51.7	*NA*	30.5	28.6	37.2	51.7
WCF Actual	$ 569.3	$ 485.0			$ 463.1				
Tillinghast - midpoint	$ 553.9	$ 465.0			$ 405.9				
Amount Over/(Under) Reserved	15.4	20.0			57.2				
Ending Reserve	$ 553.9	$ 465.0			$ 405.9				
Beginning Reserves			$ 465.0	$ 502.3		$ 405.9	$ 436.4	$ 465.0	$ 502.3
WCF Increase			34.8	49.5		6.9	15.0	34.8	49.5
Tillinghast - increase			37.2	51.7		30.5	28.6	37.2	51.7
Amount Over/(Under) Reserved			(2.4)	(2.2)		(23.6)	(13.6)	(2.4)	(2.2)
Ending Reserve	$ 553.9	$ 465.0	$ 502.3	$ 553.9	$ 405.9	$ 436.4	$ 465.0	$ 502.3	$ 553.9
Increase / (Decrease) to Statutory Book Value	15.4	$ 20.0	(2.4)	(2.2)	$ 57.2	$ (23.6)	$ (13.6)	$ (2.4)	$ (2.2)

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Synopses of Comparable Public Companies - Insurance Companies

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Synopses of Comparable Public Companies - Insurance Companies

American Financial Group, Inc

American Financial Group, Inc. (AFG) is a holding company which, through its subsidiaries, is engaged primarily in property and casualty insurance, focusing on specialized commercial products for businesses, and in the sale of retirement annuities, life and supplemental health insurance products.

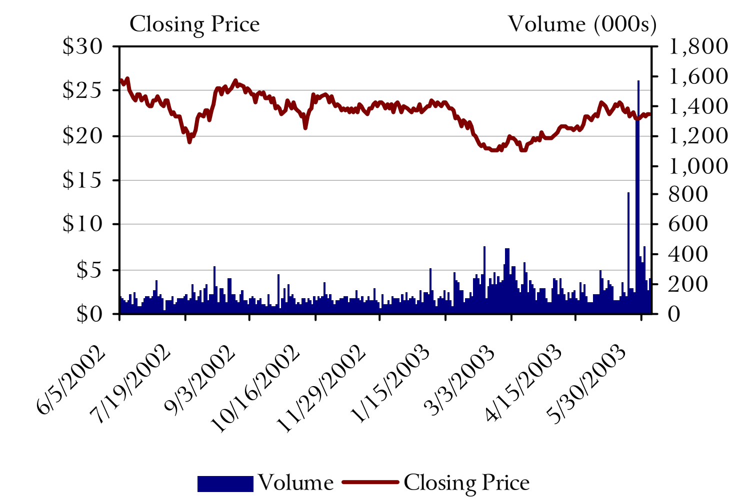
AFG's property and casualty group (64 percent of 2002 revenues) is engaged primarily in private passenger automobile and specialty insurance businesses. Accordingly, AFG manages its property and casualty group as two major business groups: Personal and Specialty.

The Personal group writes primarily private passenger automobile liability and physical damage insurance, and to a lesser extent, homeowners' insurance. This group holds licenses to write policies in all states and the District of Columbia.

The Specialty group emphasizes the writing of specialized insurance coverage where AFG personnel are experts in particular lines of business or customer groups.

(Source: FactSet)

Daily Price/Volume Graph



Synopses of Comparable Public Companies - Insurance Companies

Argonaut Group, Inc

Argonaut Group, Inc. (AGII) is a national provider of specialty insurance products focused on high quality customer service for specific niches of property-casualty insurance.

Argonaut Insurance Company (Argonaut Insurance), the company's principal insurance subsidiary, was established in California in 1948. WC is the primary line of insurance written by Argonaut Insurance and its subsidiaries: Argonaut Midwest Insurance Company, Argonaut Northwest Insurance Company, Argonaut Southwest Insurance Company, and Georgia Insurance Company. Argonaut Insurance Company and its pooled subsidiaries also write complementary lines of commercial insurance for a small number of their clients, primarily consisting of general liability and commercial automobile. Generally however, it targets companies whose WC needs will result in significant annual premiums (generally between $250,000 and $5 million.) Argonaut Insurance Company is diversifying its book of business to include program business, targeting smaller employers. Argonaut Insurance Company is licensed in 50 states and the District of Columbia.

(Source: FactSet)

Daily Price/Volume Graph

Synopses of Comparable Public Companies - Insurance Companies

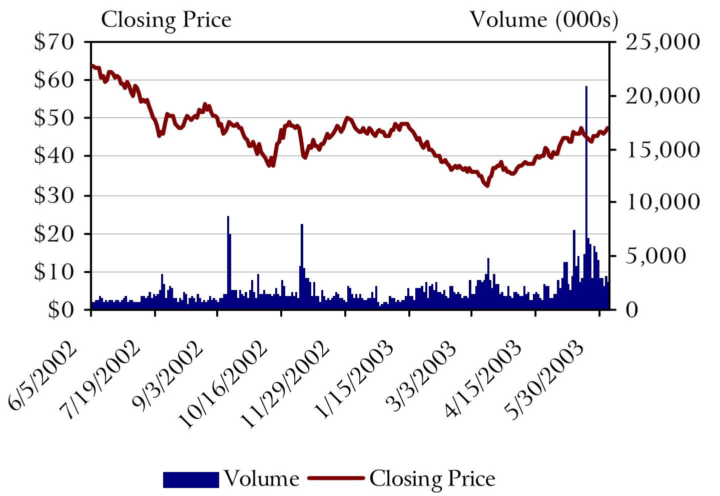
THE HARTFORD FINANCIAL SERVICES GROUP INC

The Hartford Financial Services Group Inc. (HIG) was a subsidiary of ITT Corp. until its December 1995 spinoff. From its 1810 founding as a local fire insurance company, HIG has become one of the largest insurers in both the property-casualty and life insurance industries.

HIG had revenues of $15.9 billion as of Dec. 31, 2002. The company provides investment products, life insurance and employee benefits; automobile and homeowners products; commercial property and casualty insurance; and reinsurance.

HIG's life insurance business is conducted through The Hartford Life Insurance Co. (HLI), which offers a number of financial services and insurance products including investment products, group life and disability insurance, corporate life insurance, and wealth protection policies. HLI is one of the largest sellers of variable annuities and variable and fixed life insurance products, through a network of national regional broker dealer organizations. HLI also offers mutual funds through The Hartford Mutual Funds. Retail mutual fund assets of $14.2 billion were reported as of Dec. 31, 2002. Based on statutory assets, HLI is one of the largest consolidated life insurance groups in the U.S., with assets under management of $165.1 billion as of Dec. 31, 2002.

Daily Price/Volume Graph



Synopses of Comparable Public Companies - Insurance Companies

THE HARTFORD FINANCIAL SERVICES GROUP INC (CONTINUED)

The Individual Life segment provides life insurance solutions to solve the wealth protection, accumulation and transfer needs of the company's affluent and business insurance clients. The acquisition of Fortis, Inc. in 2001 and its retail broker dealer Woodbury Financial Services has increased HIG's exposure to the emerging affluent market.

HIG's North American property-casualty operation provides a wide range of commercial, personal, specialty and reinsurance coverage. Premiums written in 2002 were $8.6 billion.

A strategic shift designed to emphasize growth opportunities in asset accumulation business has resulted in the sale of all the company's international property casualty businesses, which were historically located in Western Europe. In January 2002, HIG's The Hartford Insurance Co. (Singapore), Ltd., located in Singapore, was sold.

(Source: FactSet)

Synopses of Comparable Public Companies - Insurance Companies

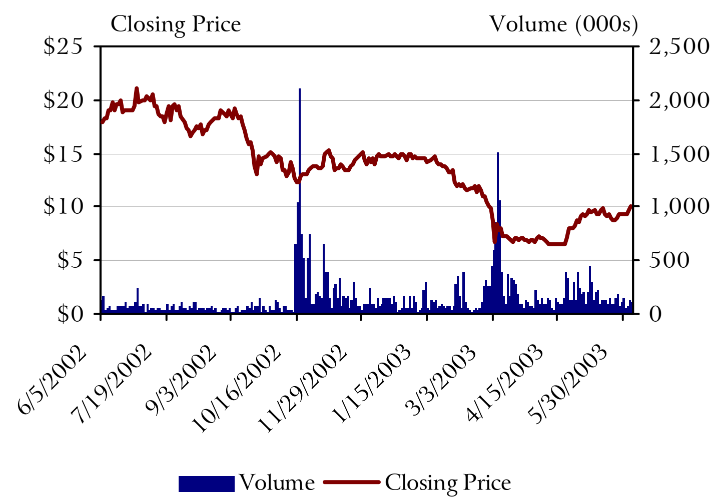
PMA Capital Corp.

PMA Capital Corp. (PMACA) is an insurance holding company focused on specialty insurance markets where the company believes its underwriting expertise, experienced management and financial strength allow it to produce attractive returns. Through its operating subsidiaries, PMACA provides property and casualty reinsurance and focuses on providing commercial property and casualty insurance regionally. At Dec. 31, 2002, the company had total assets of approximately $4.1 billion.

Reinsurance is an arrangement in which an insurance company, the reinsurer, agrees to indemnify another insurance company, the ceding company, against all or a portion of the insurance risks underwritten by the ceding company under one or more insurance contracts. Reinsurance provides ceding companies with several benefits: reducing exposure on individual risks, protecting against catastrophic losses, stabilizing underwriting results and maintaining acceptable capital ratios.

PMACA conducts insurance and reinsurance business through two specialty-operating segments. Its reinsurance operations, PMA Re, offer excess of loss and pro rata property and casualty reinsurance protection mainly through reinsurance brokers. PMA Re focuses on risk-exposed business, which the company believes allows it to best utilize underwriting and actuarial expertise.

Daily Price/Volume Graph



Synopses of Comparable Public Companies - Insurance Companies

PMA CAPITAL CORP. *(CONTINUED)*

As of Dec. 31, 2002, PMA Re had approximately 390 unaffiliated clients, with no individual client accounting for more than 10 percent of gross premiums written in 2002. Approximately 74 percent of PMA Re's gross premiums written in 2002 were from small- to medium-sized insurers (defined as insurers with statutory surplus of up to $500 million).

The company's property and casualty insurance operations, The PMA Insurance Group, write WC, integrated disability and, to a lesser extent, other standard lines of commercial insurance, primarily in the eastern part of the United States. As of December 2002, approximately 90 percent of The PMA Insurance Group's business was produced through independent agents and brokers.

Effective May 1, 2002, PMACA announced its decision to withdraw from the excess and surplus lines marketplace. On January 2, 2003, the company completed the sale of the capital stock of Caliber One Indemnity Company to Northern Homelands Company. The sale generated gross proceeds of about $31 million.

(Source: FactSet)

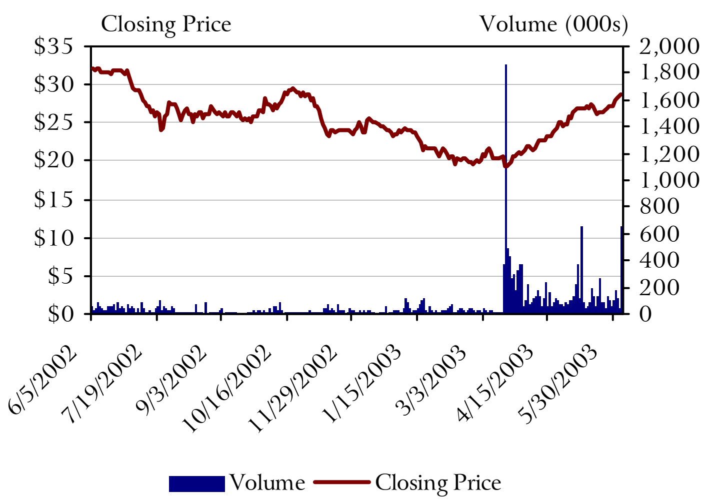
Synopses of Comparable Public Companies - Insurance Companies

ZENITH NATIONAL INSURANCE CORP.

Zenith National Insurance Corp. (ZNT), through its subsidiaries, is mainly engaged in the WC insurance business. This activity is supplemented by a smaller assumed reinsurance operation. In addition, ZNT maintains a portfolio of investments, principally in fixed maturities, funded by the cash flows from its insurance operations and capital. The company sold its home-building business and related real estate assets in 2002.

WC insurance provides coverage for the statutorily prescribed benefits that employers are required to pay to their employees injured in the course of employment. ZNT's WC policies are issued to employers who also pay the premiums. The policies provide payments to covered, injured employees of the policyholder for, among other things, temporary or permanent disability benefits, death benefits, medical and hospital expenses and expenses of vocational rehabilitation. The benefits payable and the duration of such benefits are set by statute, and vary by state and with the nature and severity of the injury or disease and the wages, occupation and age of the employee. During 2002, ZNT wrote WC insurance in 45 states.

Daily Price/Volume Graph



Synopses of Comparable Public Companies - Insurance Companies

ZENITH NATIONAL INSURANCE CORP. *(CONTINUED)*

ZNT's reinsurance operation participates in assumed reinsurance transactions in which, typically, the reinsurance coverage being purchased by the ceding company is shared among a number of assuming companies. The company focuses primarily on assumed reinsurance of worldwide property losses from catastrophes and large property risks.

In addition to property reinsurance ZNT has, historically, written reinsurance for liability insurance, such as general business liability coverage, directors' and officers' liability and excess or umbrella coverage. Liability reinsurance constituted about 20 percent of ZNT's earned reinsurance premiums in the ten years ended Dec. 31, 2002.

The investment operations provide income and realized gains on investments, primarily from investments in debt securities. At Dec. 31, 2002, ZNT's consolidated investment portfolio emphasized high-quality, taxable bonds and short-term investments, supplemented by smaller portfolios of redeemable and other Preferred and Common stocks. The portfolio of taxable bonds includes U.S. Government securities, mortgage-backed securities issued by the Government National Mortgage Association and corporate bonds diversified to produce a reasonable balance of risk and a stable source of earnings.

(Source: FactSet)

Synopses of Comparable Public Companies - Insurance Companies

EMC INSURANCE GROUP INC.

EMC Insurance Group Inc. (EMCI), a 79.5 percent owned subsidiary of Employers Mutual Casualty Co., is an insurance holding company with operations in property and casualty insurance, reinsurance, nonstandard risk automobile insurance and excess and surplus lines insurance. EMCI's property and casualty insurance subsidiaries, EMCASCO Insurance Co., Illinois EMCASCO Insurance Co. and Dakota Fire Insurance Co., are licensed to write insurance in 37 states.

The company's property and casualty subsidiaries are participants in a pooling agreement with Employers Mutual, the purpose of which is to spread the risk of an exposure insured by any of the pool participants among all companies. Under the terms of the pooling agreement, each company cedes to Employers Mutual all of its insurance business, with the exception of any voluntary reinsurance business assumed from nonaffiliated insurance companies, and assumes from Employers Mutual an amount equal to its participation in the pool. All losses, settlement expenses and other underwriting and administrative expenses, excluding the voluntary reinsurance business assumed by Employers Mutual from nonaffiliated insurance companies, are prorated among the parties on the basis of participation in the pool. The addition of Farm & City, which writes nonstandard risk automobile insurance in 1998, increased the aggregate participation in the pool by 1.5 percent to 23.5 percent.

Daily Price/Volume Graph

Synopses of Comparable Public Companies - Insurance Companies

EMC Insurance Group Inc. *(continued)*

In 2001, commercial lines, including automobile, property, WC and liability, accounted for 78.8 percent of the company's property and casualty business, and personal lines, such as automobile, property, liability and other, 21.2 percent.

Farm & City writes nonstandard risk automobile insurance through independent agents in six states. It specializes in insuring private passenger automobile risks that are found to be unacceptable in the standard automobile insurance market.

EMC Reinsurance is a property and casualty treaty reinsurer with a concentration in property lines. It assumes a portion of Employers Mutual's assumed reinsurance business, exclusive of certain reinsurance contracts.

EMC Underwriters operates as broker for excess and surplus lines. It provides access to the excess and surplus lines markets through independent agents and managing general agents and represents several major excess and surplus lines companies, including Lloyd's of London.

(Source: FactSet)

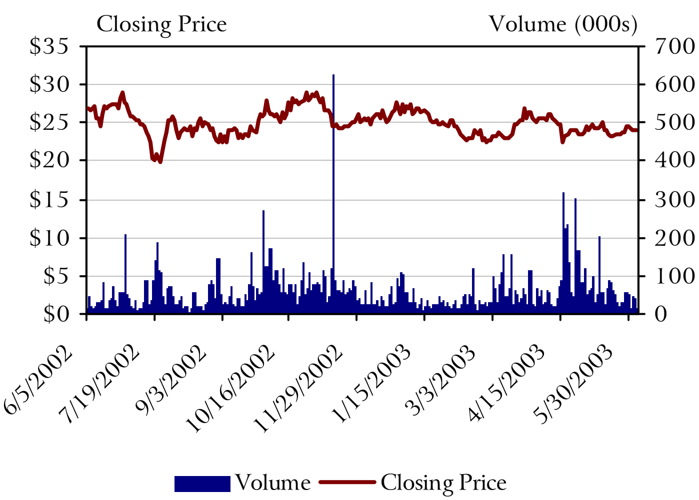
Synopses of Comparable Public Companies - Insurance Companies

Harleysville Group Inc.

Harleysville Group Inc. (HGIC) is an insurance holding company headquartered in Pennsylvania that engages, through its subsidiaries, in the property and casualty insurance business on a regional basis. At Dec. 31, 2002, Harleysville Mutual Insurance Company (the Mutual Company) owned approximately 56 percent of the company's outstanding shares.

HGIC and the Mutual Company operate together as a network of regional insurance companies that underwrite a broad line of personal and commercial coverage. These insurance coverages are marketed primarily in the eastern and Midwestern United States through approximately 1,700 insurance agencies. Regional offices are maintained in Georgia, Indiana, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, New York, North Carolina, Pennsylvania, Tennessee, and Virginia. The company's property and casualty insurance subsidiaries are Harleysville-Atlantic Insurance Company, Harleysville Insurance Company, Harleysville Insurance Company of New Jersey, Harleysville Insurance Company of New York, Harleysville Insurance Company of Ohio, Harleysville Lake States Insurance Company, Harleysville Preferred Insurance Company, Harleysville Worcester Insurance Company, and Mid-America Insurance Company.

Daily Price/Volume Graph



Synopses of Comparable Public Companies - Insurance Companies

HARLEYSVILLE GROUP INC. *(CONTINUED)*

The company has three segments that consist of the personal lines of insurance, the commercial lines of insurance and the investment function. Using independent agents, HGIC markets personal lines of insurance to individuals, and commercial lines of insurance to small- and medium-sized businesses.

HGIC and the Mutual Company together underwrite a broad line of personal and commercial property and casualty coverages, including automobile, homeowners, commercial multi-peril and workers compensation. The Mutual Company and the company's insurance subsidiaries participate in an inter-company pooling arrangement under which such subsidiaries and the Mutual Company combine their property and casualty business.

The company markets its insurance products through independent agencies and monitors the performance of these agencies relative to many factors including profitability, growth and retention. At Dec. 31, 2002, there were approximately 1,700 agencies.

(Source: FactSet)

Appendices

Synopses of Comparable Pubic Companies - Pinnacle

FPIC Insurance Group, Inc.

FPIC Insurance Group, Inc. (FPIC) offers a variety of insurance products for participants in the healthcare industry.

The company has three main operating segments: insurance, reciprocal management and third party administration (TPA). The main sources of revenue for FPIC are dividends and management fees from its subsidiaries. The main sources of revenue for the subsidiaries are premiums earned and investment income (insurance segment) and claims administration and management fees and commission income (reciprocal management and TPA segments).

The insurance segment specializes in professional liability insurance products and related risk management services for physicians, dentists, and other healthcare providers. First Professionals, APAC, and Intermed insure doctors, dentists and other healthcare providers for professional liability claims and also offer coverage for their professional corporations.

The reciprocal management segment provides management, administrative and brokerage services to Physicians' Reciprocal Insurers or PRI, a professional liability insurance reciprocal that conducts business in the state of New York. This segment also provides reinsurance brokerage and administrative services to FPIC.

Daily Price/Volume Graph

Synopses of Comparable Pubic Companies - Pinnacle

FPIC Insurance Group, Inc. *(continued)*

TPA provides administrative and claims management services to self-insured employer groups for group accident and health insurance, WC insurance and general liability and property insurance plans.

In 2002, 84.6 percent of direct and assumed insurance business was written in Florida, Missouri, Texas, Tennessee, New York and Pennsylvania. Florida and Missouri represent the core states for direct insurance business. New York represents assumed reinsurance from PRI. Insurance business in Texas, Tennessee and Pennsylvania is conducted mainly under the fronting programs of First Professionals and APAC. Under these fronting programs, the direct insurance is written on First Professionals or APAC policy forms and reinsured to other insurance or reinsurance carriers in exchange for fee income. These other insurance or reinsurance carriers assume all or most of the insurance or underwriting risks.

(Source: FactSet)

Synopses of Comparable Pubic Companies - Pinnacle

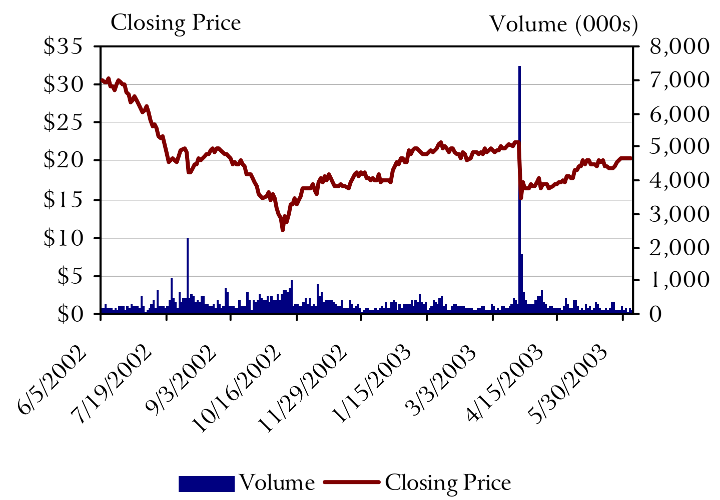
NDCHEALTH CORP.

NDCHealth Corp. (NDC) operates as a healthcare information services company that services pharmacies, hospitals, physicians payers, and pharmaceutical manufacturers.

NDC offers products and services including electronic claims processing, eligibility verification, database information reporting on prescription drug sales and pharmacy operations, consulting services and practice management systems. Primary customers include pharmacists, physicians, hospitals, health maintenance organizations (HMOs), payers, government healthcare agencies, managed care organizations, pharmaceutical manufacturers, and distributors.

As of May 31, 2002, NDC was connected to over 90 percent of U.S. and Canadian pharmacies, more than 25 percent of the nation's hospitals and over 1,000 healthcare payers. The company provides services to more than 100 pharmaceutical manufacturers and has sold systems to more than 100,000 physicians and more than 25 percent of U.K. pharmacies. NDC is in the early phases of expanding internationally by establishing information services businesses in Germany and the U.K.

Daily Price/Volume Graph



Synopses of Comparable Pubic Companies - Pinnacle

NDCHEALTH CORP. *(CONTINUED)*

NDCHealth Intelligent Network is the cornerstone of the company's Network Services and Systems segment and transmits information from healthcare providers such as physicians, hospitals and pharmacies to third party payers including private insurance carriers, managed care organizations and government programs for reimbursement.

The company's Information Management segment provides customers with solutions from its NDCHealth Information Repository, a database of healthcare business information that includes pharmaceutical distribution, pharmaceutical sales, and medical services information. NDC transforms this large volume of drug sales, prescribing physician, and de-identified patient data into information solutions that can help its customers better analyze their markets, more effectively develop and position their product offerings, and ultimately better understand the effectiveness of drug therapies.

On May 29, 2002, NDC acquired for $52 million in cash and stock a controlling interest in TechRx Inc., a systems and technology provider to pharmacies, and acquired for $81 million in cash certain assets of ScriptLINE, a provider of pharmacy network editing services, from Arclight Systems LLC. NDC also has the right to acquire the remaining interest in TechRx in May 2003.

(Source: FactSet)

Synopses of Comparable Pubic Companies - Pinnacle

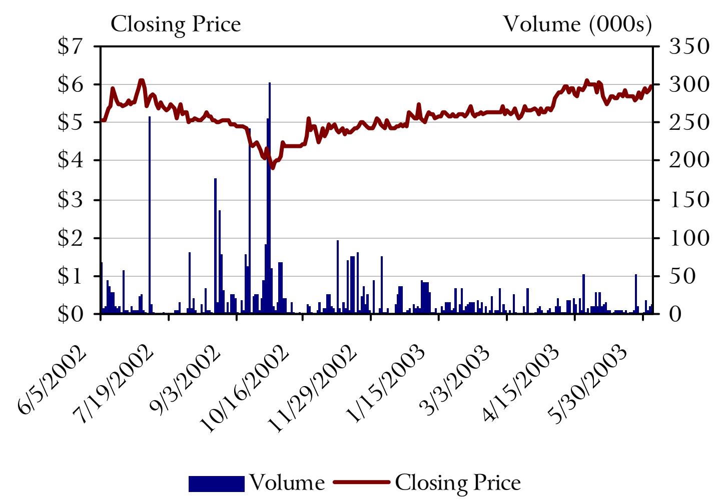
Trover Solutions, Inc.

Trover Solutions, Inc. (TROV) is an independent provider of outsourcing of insurance subrogation and certain other medical claims recovery and cost containment services to the private healthcare payor industry.

TROV's primary business is medical claims recovery and its primary product is subrogation recovery, which generally entails the identification, investigation and recovery of accident-related medical benefits incurred by its clients on behalf of their insureds, but for which other persons or entities have primary responsibility. The company's clients' rights to recover the value of these medical benefits, arising by law or contract, are known generally as the right of subrogation and are generally paid from the proceeds of liability or WC insurance.

TROV's other medical claims recovery services include provider bill auditing, overpayments recovery services and the auditing of physician evaluation and management claims for consistency with medical records. TROV offers its services on a nationwide basis to health maintenance organizations, indemnity health insurers, self-funded employee health plans and companies that provide claims administration services to self-funded plans (referred to as third-party administrators), Blue Cross and Blue Shield organizations and provider organized health plans. At Dec. 31, 2002, TROV had 41.6 million individuals under contract from its clientele.

Daily Price/Volume Graph



Synopses of Comparable Pubic Companies - Pinnacle

TROVER SOLUTIONS, INC. *(CONTINUED)*

The company also operates in the subrogation outsourcing market that serves property and casualty (P&C) insurers. TROV offers its services to the P&C market under the brand name TransPaC Solutions.

In addition, the company has developed a web-enabled subrogation software application. TROV sells this product as an application service provider, under the trade name Troveris, to participants in both the health insurance and benefits market and the P&C market which historically have not outsourced subrogation recoveries. In June 2002, the company made its first sale of the Troveris software to an outside client (United Medical Resources).

(Source: FactSet)

Synopses of Comparable Pubic Companies - Pinnacle

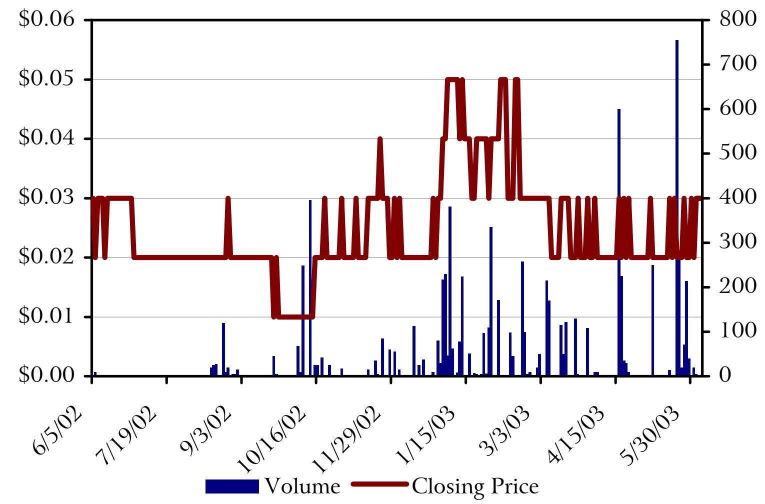
UNITED MEDICORP, INC.

United Medicorp, Inc. provides medical insurance claims coding and processing and accounts receivable management services to healthcare providers. The Company employs proprietary and purchased software to provide claims coding and processing, billing and collection services to its customers, which are primarily hospitals, medical clinics and physician practices.

The Company's medical claims processing service is designed to provide an electronic claims processing, billing and collection service that expedites payment of claims from private insurance carriers or government payors such as Medicare and Medicaid. The Company also offers to its customers processing and collection services for uncollected backlog (aged) claims that were not originally submitted through its electronic claims processing system. Through United MoneyCorp Inc., a wholly owned subsidiary, the Company provides customer service and collection services to healthcare providers.

(Source: FactSet)

Daily Price/Volume Graph



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Due Diligence Summary

DUE DILIGENCE SUMMARY

- In connection with preparing this report, we have made such reviews, analyses and inquiries as we have deemed necessary and appropriate under the circumstances. Among other things, we have:
  - met with certain members of the senior management of the Company and public officials of the State to discuss the operations, financial condition, and future prospects and performance of the Company;
  - conducted telephonic interviews with insurance commission representatives of the state of Nevada, Hawaii, Texas, and Missouri regarding the mutualization of their respective state WC funds;
  - conducted telephonic interviews with representatives from Deloitte & Touche, financial advisors to the State, regarding certain matters;
  - conducted telephonic interviews with Tillinghast regarding, among other issues, the company's reserve and reserve policies,
  - visited Company headquarters;
  - reviewed certain other publicly available financial data for property and casualty companies including the A.M. Best reports on WCF and selected companies in its peer group;
  - reviewed presentation providing an overview of WCF dated May 30, 2003;
  - conducted such other studies, analyses and inquiries as we have deemed appropriate; and

Due Diligence Summary

DUE DILIGENCE SUMMARY *(CONTINUED)*

- reviewed relevant financial statements and other financial information of the Company including, but not limited to:
  - the combined annual statutory financial statements for The Workers Compensation Fund for the fiscal years ended 1998 through 2002;
  - the annual statutory financial statements for The Workers Compensation Fund, the annual statutory financial statements for The Advantage Workers Compensation Insurance Company, and the annual statutory financial statements for Univantage Insurance Company for the fiscal years ended 1998 through 2002;
  - the quarterly statutory financial statements for The Workers Compensation Fund, the quarterly statutory financial statements for The Advantage Workers Compensation Insurance Company, and the quarterly statutory financial statements for Univantage Insurance Company for the quarter ended 3-31-02 and 3-31-03;
  - audited consolidated financial statements prepared in accordance with GASB accounting standards for The Workers Compensation Fund for the fiscal years ended 1998 through 2002;
  - Company-prepared financial projections under various strategic alternative scenarios;
  - audited financial statements for Pinnacle Risk Management Services for the fiscal years ended 1998 through 2002, and Company-prepared financial statements dated April 30, 2003, which the Company's management has identified as the most current financial statements available; and
  - Company-prepared financial statements for Advantage WorkComp Services, Inc. for the fiscal years ended 1999 through 2002, and Company-prepared financial statements dated April 30, 2003, which the Company's management has identified as the most current financial statements available;

Appendices

Discount for Lack of Marketability

Discount for Lack of Marketability – Institutional Investors Study

- Numerous empirical studies on marketability discounts for restricted stock have been conducted over the past 30 years. The following summarizes the results of nine of the most commonly referenced studies.

- The basis for 77-287 is the Institutional Investors Study published by the Securities and Exchange Commission ("SEC") in 1971. The Institutional Investors Study ("SEC Study") examined discounts in 398 transactions between 1966 and 1969 involving securities restricted under Rule 144 of the Securities Act of 1933. The SEC examined the discounts at which the restricted securities were sold relative to the prices of unrestricted, but otherwise identical, stock in the open market. The following table segments the data observed by the SEC according to the size of the discount.

Discount (Premium)	Transactions	Percent
-15.0% to 0.0%	26	6.5%
0.1% to 10.0%	67	16.8%
10.1% to 20.0%	78	19.6%
20.1% to 30.0%	77	19.3%
30.1% to 40.0%	67	16.8%
40.1% to 50.0%	35	8.8%

- As the table illustrates, more than half of the transactions (55.7 percent) occurred at discounts between 10.1 percent and 40.0 percent. Nearly three-quarters of the transactions (72.5 percent) occurred at discounts between 0.1 percent and 40.0 percent. Using the midpoints of the respective ranges and weighing each by its percentage share of the 398 transactions results in a weighted-average discount of 25.8 percent.

Discount for Lack of Marketability

Discount for Lack of Marketability – Institutional Investors Study *(continued)*

- The SEC examined each discount in relation to several factors believed to play a role in determining the magnitude of the observed discount, including the trading market for the issuer's publicly traded stock, the net sales and earnings of the issuer, and the size of the block of restricted stock both in dollar terms and as a percentage of the market capitalization of the issuer. As 77-287 noted, the magnitude of the discount for restricted securities from the trading price of the unrestricted securities was generally related to the following four factors:

  - ***Earnings.*** Earnings played the major part in establishing the ultimate discounts at which these stocks were sold from the current market price. Apparently earnings patterns, rather than sales patterns, determine the degree of risk of an investment.

  - ***Sales.*** The results of the study generally indicate that the companies with the lowest dollar amount of sales during the test period accounted for most of the transactions involving the highest discount rates, while they accounted for only a small portion of all transactions involving the lowest discount rates.

  - ***Trading Market.*** According to the study, discount rates were greatest on restricted stocks with unrestricted counterparts traded over-the-counter, followed by those with unrestricted counterparts listed on the American Stock Exchange, while the discount rates for those stocks with unrestricted counterparts listed on the New York Stock Exchange were the smallest.

  - ***Resale Agreement Provisions.*** In judging the opportunity cost of freezing funds, the purchaser is analyzing two separate factors. The first is the risk that the underlying value of the stock will change in a way that, absent the restrictive provisions, would have prompted a decision to sell. The second factor is the risk that the means of legally disposing of the stock may not materialize. From the seller's point of view, a discount is justified where the seller is relieved of the expenses of registration and public distribution, as well as the risk that the market will adversely change before the offering is completed.

Discount for Lack of Marketability

Discount for Lack of Marketability – Management Planning, Inc. Study

- Management Planning, Inc. ("MPI") conducted an analysis of 115 private transactions involving the common stocks of actively traded industrial corporations from January 1, 1980, to December 31, 1989. Although a few of the transactions occurred at small premiums to the public market prices and several occurred at prices identical to the public market prices, the vast majority of the transactions occurred at discounts to the public market prices. The discounts ranged from 1 percent to 86 percent, and tended to cluster in the range of 30-35 percent.

- Consistent with the findings of the SEC Study, MPI found that many of the relatively high discounts observed involved the common stocks of companies which were not profitable or had very low revenues. MPI decided to eliminate all transactions involving companies with revenues less than $3,000,000, thereby reducing the test population to 31 transactions. Of these 31 transactions, one occurred at a slight premium, one occurred at the market price, and 29 occurred at discounts of up to nearly 60 percent. The overall median was a discount of 23.3 percent.

- As in the SEC Study, MPI analyzed the pricing data in relation to several variables believed to impact the magnitude of the discounts. This analysis led MPI to the following conclusions:

  - There was a tendency for the private transactions of larger companies (as measured by either revenue or earnings) to have lower discounts than smaller companies.

  - There was a tendency for the private transactions of companies with stronger growth (as measured by either revenues or earnings) to have lower discounts than companies with slower growth.

  - There was a tendency for private transactions of companies with better revenue or earnings stability to have smaller discounts than those of companies with less stability.

  - There was a tendency for private transactions which involve blocks that are relatively small compared to trading volume or the number of shares outstanding to have lower discounts than blocks of stock which are large relative to trading volume and shares outstanding.

Discount for Lack of Marketability

Discount for Lack of Marketability – Management Planning, Inc. Study *(continued)*

- There was a tendency for private transactions which occurred in a strong market to have lower discounts than transactions which took place in declining or weaker markets.
- There was a tendency for private transactions to occur at lower discounts in cases where the publicly traded counterpart showed more price stability than in cases where there was less price stability.

Discount for Lack of Marketability

Discount for Lack of Marketability – Houlihan Lokey Howard & Zukin Study

- A Houlihan Lokey study examined a variety of transactions between January 1991 and June 1993 involving restricted securities of publicly traded companies. Our analysis revealed only one transaction occurred at a premium to the market price for the otherwise identical public shares. Overall, the price differentials ranged from a 0.57 percent premium to a 65 percent discount, with a mean discount of approximately 22 percent.

- In addition, the results of our analysis suggest that the magnitude of the discount is:

  - Negatively correlated with the absolute dollar amount of the issuing company's revenues;
  - Negatively correlated with the absolute dollar amount of the issuing company's earnings before interest and taxes;
  - Negatively correlated with the aggregate market value of the issuing company's common stock;
  - Negatively correlated with the dollar value of the block of restricted securities;
  - Negatively correlated with the dividend payout ratio of the issuing company;
  - Positively correlated with the size of the block of restricted stock, measured as a percentage of the total number of outstanding common shares for the issuing company.

- The first four observations address the size issue from different perspectives, and support the results of the SEC Study and the MPI Study (discussed later). The fifth observation focuses on the importance of interim investment returns in the pricing of restricted securities, while the final observation addresses the blockage issue.

- A second Houlihan Lokey study in conjunction with the University of California, Los Angeles, analyzed Rule 144 stock discounts using a multivariate regression equation which explains the discounts for privately placed restricted stocks based on quantifiable variables.

Discount for Lack of Marketability

DISCOUNT FOR LACK OF MARKETABILITY – HOULIHAN LOKEY HOWARD & ZUKIN STUDY *(CONTINUED)*

- The following variables were analyzed and considered significant in explaining the variation in this restricted stock discount:
  - Earnings
  - Revenues
  - State of market
  - OTC
  - Price volatility
  - Dribble
- The above variables do not explain 100 percent of the restricted stock discounts. Other subjective factors include:
  - The negotiating skills of the parties involved
  - The relationship between the parties involved
  - The circumstances under which the offering was placed (i.e. in an acquisition, merger, etc.)

Discount for Lack of Marketability

Discounted for Lack of Marketability – Other Restricted Stock Studies

- ***Gelman Study.*** Milton Gelman conducted a study in which he analyzed the prices paid by four closed-end investment companies specializing in restricted securities investments. Based on an analysis of 89 transactions between 1968 and 1970, Gelman found both the mean and median discounts to be 33 percent. Furthermore, 59 percent of the transactions were at discounts of 30 percent or more, and 36 percent were at discounts of at least 40 percent.

- ***Moroney Study.*** In a study published in 1973, Robert Moroney presented the results of his analysis of 146 transactions in restricted securities by 10 registered investment companies. The discounts observed in these transactions ranged from 3 percent to 90 percent (with one transaction at a 30 percent premium), with a mean of 35.6 percent.

- ***Trout Study.*** Robert Trout studied 60 transactions involving the purchase of restricted stock by mutual funds between 1968 and 1972. He observed an average discount of 33.5 percent.

- ***Maher Study.*** In 1976, Michael Maher published the results of a study of restricted stock discounts in transactions taking place from 1969 to 1973. He found that the mean discount was 35.4 percent.

- ***Standard Research Consultants Study.*** In 1983, Standard Research Consultants conducted a study of 28 private placements of common stock from October 1978 through June 1982. The discounts ranged from 7 percent to 91 percent, with a median of 45 percent.

- W***illamette Management Associates Study.*** Willamette Management Associates analyzed 33 private placements of common stock from January 1981 through May 1984, most of which occurred in 1983. The median discount was 31.2 percent.

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Houlihan Lokey Biographies

Jack W. Berka, ASA

Mr. Berka is a Managing Director in Houlihan Lokey's Los Angeles office, an international investment banking firm, and is National Director of the firm's Financial Advisory Services ("FAS") Group. The firm's FAS group is the country's largest independent financial valuation practice. Mr. Berka manages client projects for business valuations, mergers and acquisitions, financings, leveraged buyouts, and litigation support. A frequent speaker at conferences and symposia, he is also a senior member of the American Society of Appraisers, a member of the Valuation Advisory Committee of the ESOP Association, and was an instructor in the "Valuation of Business" continuing education course for the California, Oregon and Washington CPA Societies. Mr. Berka also has testified as an expert witness in valuation matters in court, and has been engaged by government agencies. In addition, Mr. Berka was the Managing Editor of *Financial Valuation: Businesses and Business Interests*, published by Warren, Gorham and Lamont, and has authored numerous articles on valuation topics in a variety of publications. Prior to joining Houlihan Lokey, Mr. Berka was a financial analyst in the Corporate Investments Department of Metropolitan Life Insurance Company, where he analyzed the feasibility and structure of Metropolitan's debt and equity participation in leveraged buyout transactions. Mr. Berka earned a B.S. from Oregon State University and an M.B.A. from the University of Oregon.

Employment

- Metropolitan Life Insurance Company, Private Placements, Newport Beach, California, 1981-1983

Publications/Presentations

- Co-Author, "Valuation of Insurance Underwriting Companies," Chapter 18A, Financial Valuation: Businesses and Business Interests 1992-1996 Update, Warren Gorham & Lamont.
- "Practical Valuation Techniques," Conference on Mergers & Acquisitions, Casualty Actuarial Society, Snowbird, Utah, 1997.
- Association for Advanced Life Underwriting, "An Introduction to Employee Stock Ownership Plans," Opportunities for the Insurance Industry," 37th Annual Conference, Washington, D.C., February 27, 1994.

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Selected Engagements

Company	Engagement
American Services Companies Fort Worth, Texas	Company provides medical and health insurance. Provided "market" valuation analysis in tandem with a Tillinghaust "actuarial" analysis in connection with a 1992 divestiture by publicly-traded parent Coventry Corporation of Nashville, Tennessee.
Capitol American Financial Corporation Cleveland, Ohio	Company provides supplemental health care insurance. Provided retrospective fairness opinion affirming an opinion by Donaldson, Lufkin & Jenrette and expert witness testimony in connection with company's acquisition by Conseco, Inc. and certain related actions by the Arizona Department of Insurance.
The Completion Guarantors Toronto, Ontario, Canada	Company underwrites completion bonds for Canadian television and film productions. Conducted valuation analysis and current sell side assignment.
Connecticut Mutual Insurance Company Hartford, Connecticut	Company is one of the largest life insurers in the U.S. Rendered a fairness opinion to the Trustee for a selected group of Company policyholders in connection with Company's 1996 merger into Massachusetts Mutual of Springfield, MA.
Conseco, Inc. Carmel, Indiana	Company is one of the world's largest insurance agency and brokers. Provided expert witness testimony on insurance valuation issues.
Dodge, Warren & Peters Torrance, California	Company is a property & casualty insurance broker. Provided valuation work in connection with certain equity-incentive programs.
Exstar Financial Corporation Solvang, California	Company is a specialty property and casualty underwriter. Conducted valuation analyses of several insurance entities in connection with a "roll-up" merger as a prelude to an IPO underwritten by The Chicago Corporation.
Five Star Insurance Irvine, California	Company provides homeowners and auto insurance. Representing company in current sell side assignment.
Gilbert Krupin, Inc. Beverly Hills, California	Company is a high end life agency specializing in the sports and entertainment industries. Conducted strategic consulting and valuation.
I.C.H. Corporation Dallas, Texas	Company, through subsidiaries, including Southwestern Life, provides life, accident and health insurance. Conducted various valuation analyses in connection with the sale of various subsidiaries to PennCorp Financial Group, Inc. pursuant to Section 363 of the Bankruptcy Code.
John Hancock Mutual Life Insurance Company Boston, Massachusetts	Company is the third largest life insurance company in the world. Valuation of approximately 40 subsidiary companies in connection with a demutualization.

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SELECTED ENGAGEMENTS (CONTINUED)

Company	Engagement
London Insurance Company Phoenix, Arizona	Company is life underwriter. Provided valuation analysis in connection with certain stock transfers.
Los Angeles Raiders El Segundo, California	Company funds player deferred compensation agreements with annuities. Conducted financial analysis of certain insurance products bought to fund deferred compensation agreements in connection with a litigation against Crown Life of Toronto, Canada.
M Financial Group Portland, Oregon	Company is a marketing/purchasing consortium for approximately 100 high end member life insurance agencies. Provided strategic consulting.
Mutual Savings Life Insurance Company Decatur, Alabama	Company is a debit life insurer. Retained by counsel to the company's special litigation committee in connection with on-going retrospective valuation analysis regarding a 1986 sale of a majority interest in company by Louis Rousell, III to an ESOP based on a price established by an "actuarial" appraisal prepared by Lewis and Ellis.
National Benefits Resources Minneapolis, Minnesota	Company is a managing general underwriter of medical stop-loss insurance. Conducted valuation for shareholders agreement and negotiations with minority shareholder Swiss Re.
Norman Barken & Associates San Diego, California	Company is largest special risk life broker in country. Representing company in pending sale to Century Business Services.
Pacific Rim Insurance Company Woodland Hills, California	Company is a publicly-traded workman's compensation underwriter. Issued fairness opinion to company's board of directors in tandem with Salomon Brothers in connection with a minority equity private placement.
PAULA Financial Corporation Pasadena, California	Company is a workman's compensation underwriter. Issued fairness opinion to Trustee of company's ESOP in connection with a minority equity investment by Conning & Co.
Penn Attorneys Title Insurance Co. Scranton, Pennsylvania	Company provides title insurance. Valuation in connection with buy/sell agreement.
Robert F. Driver Company San Diego, California	Company is the 23rd largest P&C broker in country and largest in San Diego. Rendered fairness opinion in connection with a management buyout.
Santa Margarita Title Insurance Co. Rancho Santa Margarita, California	Company provides title insurance. Valuation in connection with annual appraisals of parent Santa Margarita Company.
Statesman Group, Inc. Des Moines, Iowa	Company is a publicly-traded life underwriter. Rendered fairness opinion to Trustee of company's ESOP in connection with the $350 million 1994 acquisition of the company by Conseco Capital Partners II, an affiliate of Conseco, Inc.

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SELECTED ENGAGEMENTS (CONTINUED)

Company	Engagement
Statesman Insurance Company Indianapolis, Indiana	Company is a property and casualty underwriter. Rendered fairness opinions in (i) 1988 ESOP leveraged buyout from parent and (ii) in 1990 sale to Northwestern National Corporation in Wisconsin.
Topa Insurance Company Los Angeles, California	Company is a specialty property and casualty underwriter. Rendered valuation opinion to Wells Fargo Bank, N.A. for collateral analysis purposes in connection with a refinancing of certain parent company indebtedness.
Westbridge Capital Corp. Forth Worth, Texas	Supplemental health underwriter and distributor. Financial advisor to company involving restructuring of company's debt, valuation of company's subsidiaries and negotiations with potential buyers.

Houlihan Lokey Biographies

LEE SHEPARD

Mr. Shepard is a Managing Director in Houlihan Lokey's San Francisco office. Mr. Shepard advises clients on mergers & acquisitions, the valuation of businesses and business interests, intangible assets, and complex securities; fairness and other financial opinions; and recapitalizations and leveraged transactions.

Mr. Shepard has spoken to groups including the Licensing Executives Society, National Center for Employee Ownership, U.S. Department of Commerce/Advanced Technology Program, Internal Revenue Service (internal training programs), American Society of Appraisers Advanced Business Valuation Conference, Valuation Roundtable of San Francisco, courses/seminars for Continuing Legal Education and various companies on topics of intangible asset valuation, trademark valuation, valuation of early stage technology companies, employee stock ownership plans, property/casualty life insurance, inter-company transfer pricing and other topics.

Mr. Shepard has provided testimony in state court, before the American Arbitration Association, state regulatory agencies, and U.S. Tax Court. He is a member of the Valuation Advisory Committee of the ESOP Association.

He is co-author of "Insurance Underwriting Companies", Financial Valuation: Businesses and Business Interests, 1992 Update, Warren Gorham Lamont, New York, 1992; "Valuation of Intangible Assets", Financial Valuation: Businesses and Business Interests, 1993 Update, Warren Gorham Lamont, New York, 1993; and "Intercompany Transfer Pricing", Financial Valuation: Businesses and Business Interests, 1995 Update, Warren Gorham Lamont, New York, 1995.

Prior to joining Houlihan Lokey in 1988, Mr. Shepard was with Merrill Lynch Capital Markets, Pacific Gas and Electric Company, International Data Corporation and Westinghouse Electric Corporation. Mr. Shepard received a B.S. in Applied Mathematics (Operations Research) and Managerial Economics, as well as an M.S. in Industrial Administration, from Carnegie Mellon University.

Houlihan Lokey Biographies

David C. Misch

Mr. Misch is a Vice President in Houlihan Lokey's Los Angeles office, where he specializes in the areas of corporate finance and valuation opinions. Mr. Misch's corporate finance experience includes domestic and international mergers and acquisitions, recapitalizations, and debt and mezzanine financings, while his financial advisory experience is comprised of fairness opinions, solvency opinions, ESOP valuations and litigation. Mr. Misch's experience in insurance transactions includes: Capitol American Financial Corporation, Inc., Fidelity National Title Company, Five Star Holdings, Inc., John Hancock, PAULA Financial, Reliance Insurance Group, Robert F. Driver, Co. Inc., The Completion Guarantors, The Underwriter Holdings Company, Limited and Westbridge Capital Corp. Prior to joining Houlihan Lokey, Mr. Misch was an assistant vice president in the Corporate Finance and Insurance and Financial Services Group of Sanwa Bank California where he underwrote, syndicated and managed senior debt financings for privately held and publicly traded companies. Mr. Misch earned his B.A. from Claremont McKenna College where he double majored in economics and government.